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FOREIGN AGRICULTURE

November
1979

United States Department of Agriculture

Foreign Agricultural Service

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Coordinated Efforts Vital to Success of U.S. Agri-Market Development

It seems clear that exporting is the best farm program we've got, and we in FAS have been pleased with the support of the Congress and the Administration for the export effort.

Passage of the Food and Agriculture Act of 1977, the Agricultural Trade Act of 1978, and the Trade Agreements Act of 1979, which ratified the Multilateral Trade Negotiation agreements, has renewed the thrust of our export programs and established a strong link between domestic and trade policies.

President Carter has revitalized the President's Export Council, with a strong subcommittee on agricultural exports; the State Department has been helpful in our opening of agricultural trade offices overseas and in upgrading the rank of the U.S. Agricultural Attaché at important foreign posts.

The Foreign Agricultural Service is adjusting to the changes in the international agricultural scene—the shifts in world demand and the increasing competition. The emphasis in market development programs has been refocused from traditional markets toward developing countries and Communist countries, which are emerging as markets of greatest potential. Project planning has become regional in scope.

We have been working more closely

with the States and we are pleased with the results and at the growing interest shown by governors in agricultural exports. Successful exporting is a full-time job that requires full participation at all levels of government and throughout the export chain—from producer, to processor and trader, to the foreign customer.

However, widespread enthusiasm for exporting brings with it a risk of diffusing the resources that can be brought to bear on the task. If we are not careful, that could happen.

As you certainly are aware, the growing recognition of the importance of farm exports is putting pressure on States to become more directly involved. Some States have established overseas offices to promote agricultural trade. Others are becoming more active participants in overseas exhibits. Still others are struggling to find ways to get more companies involved in exporting.

At the same time, FAS is spending around \$23 million in Government funds for export promotion with market development cooperators and with State groups such as MIATCO, SUSTA, EUSAFEC, and we hope soon with the new western group. We will spend \$2 million more in 1980 establishing U.S. agricultural trade offices throughout the world.

In the last few months, the participants in the National Governors Conference on exporting and its subcommittee on agricultural export promotion have added to the number of different groups involved.

This rush to the export banner is a healthy sign. It is good for agriculture. However, without some sort of coordination, there is a risk that some activities will be wasted and even that some could work against U.S. agriculture's long-term interests.

Overseas markets view the United States as a single supplier, not a series of 50 separate suppliers. This is not to imply that there are no States with identifiable products that can be promoted, and promoted successfully. There are many examples—Florida citrus, Texas grapefruit, Michigan beans, and scores of others.

We have supported these efforts, and we will continue to do so. However, in the rush of State enthusiasm, we need to be extremely careful not to create confusion in the minds of overseas buyers. In our production efforts we need to keep our focus on our primary objective, which is to expand the total market for U.S. agricultural products—not simply to substitute production from one State for production from another.

To keep this from happening, I propose that all of us who are involved in agricultural export promotion create a task force to define more clearly the role of each of us in market development.

The task force could have a membership something like two State marketing officials and one representative each from the cooperator organization and the FAS Washington staff. I believe this would be a useful effort.

—From speech by Thomas R. Hughes, Administrator, Foreign Agricultural Service, before the National Association of State Departments of Agriculture, September 26, 1979.

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Bob Bergland, Secretary of Agriculture

Dale E. Hathaway, Under Secretary for International Affairs and Commodity Programs

Thomas R. Hughes, Administrator, Foreign Agricultural Service

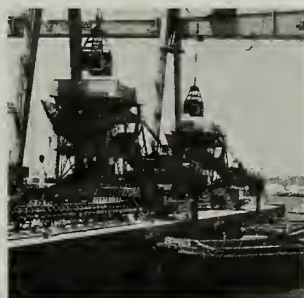
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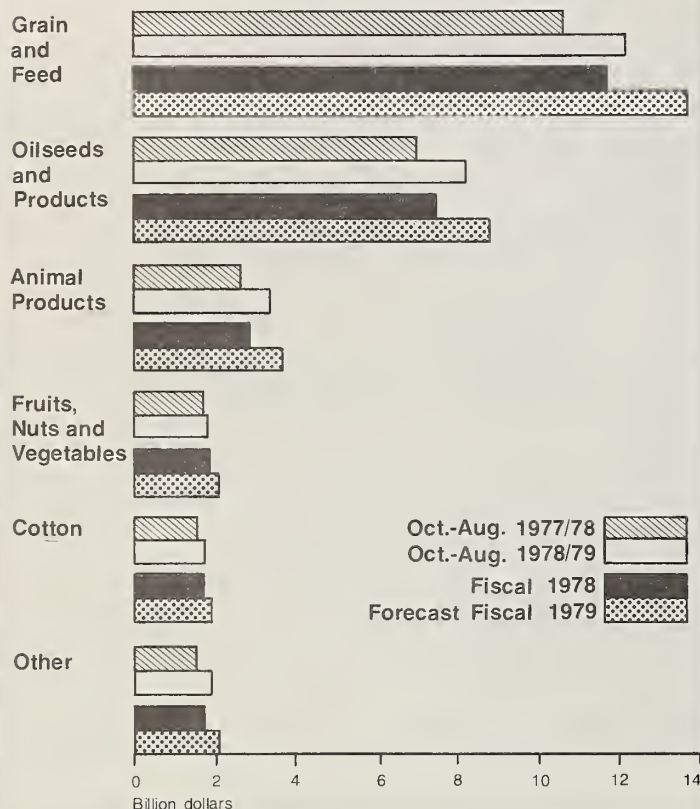
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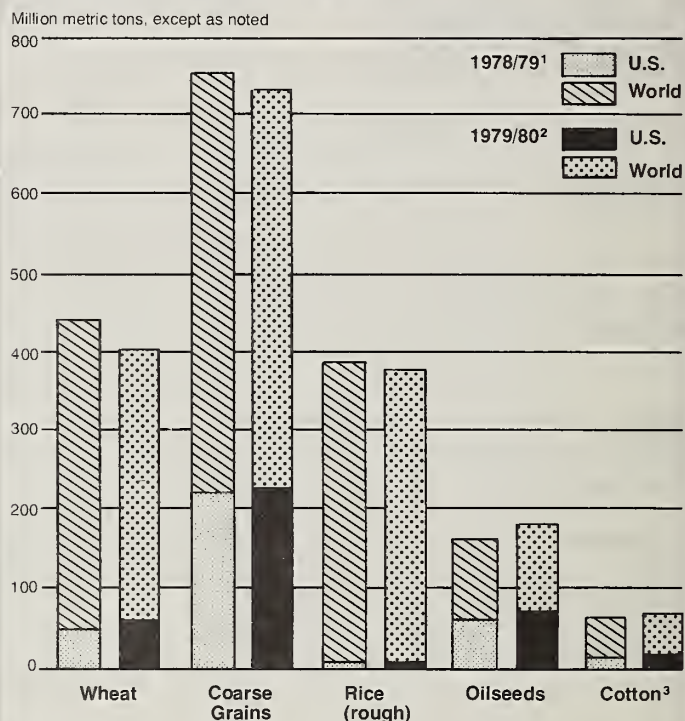
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AGRI-DATA

Value of U.S. Agricultural Exports, Oct.-Aug., 1977/78, 1978/79—Fiscal 1978, Forecast Fiscal 1979.



U.S. and World Production of Grains, Oilseeds, and Cotton, 1978/79, 1979/80

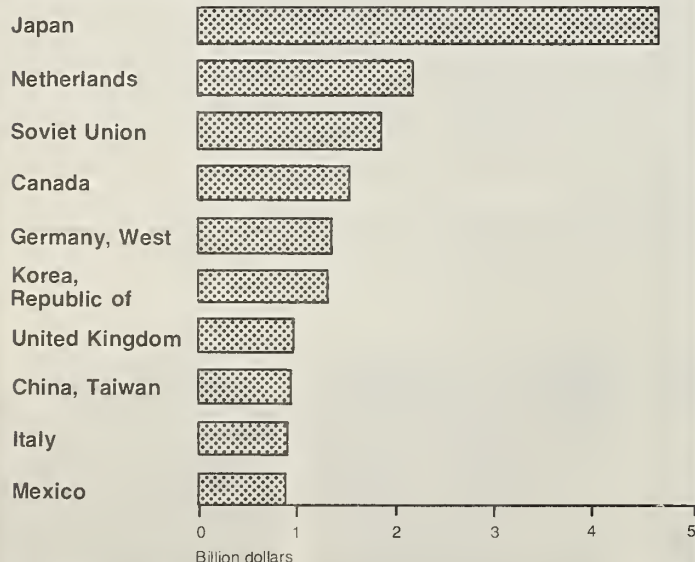


¹Preliminary estimates.

²Projected, based on *World Crop Report*, 9/12/79.

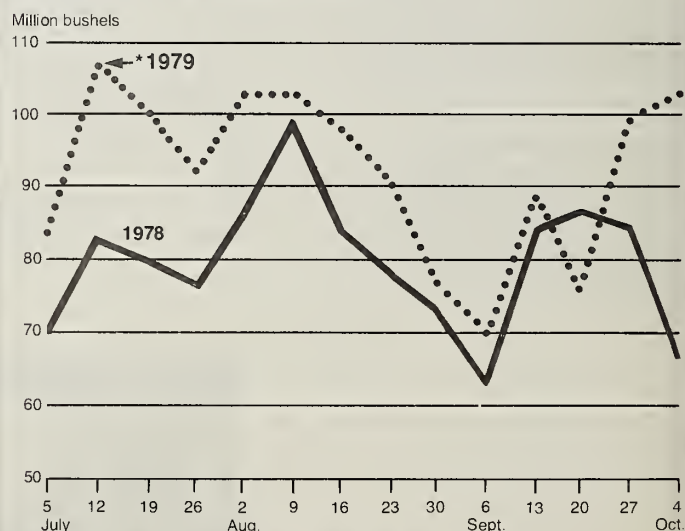
³In million 480-lb. net bales.

Major Markets for U.S. Agricultural Exports Oct. 1978-Aug. 1979¹



¹Not adjusted for transshipments.

Weekly Inspections of U.S. Grains¹ and Soybeans for Export², July-Oct. 1979



¹Grains include corn, wheat, sorghum, barley, and oats.

²Week ending on date given.

*Record level.

COMMODITY UPDATE

WORLD COTTON PRODUCTION IN 1979/80 IS PROJECTED AT 63.8 MILLION BALES, compared with 59.8 million bales in 1978/79 and the September World Crop Production Report of 64.1 million. The estimate for China's cotton production has been cut because of smaller crop area and unfavorable weather in the spring and again in the late fall.

Adverse moisture conditions in large areas of India have resulted in a drop in India's cotton estimate. In other major cotton-producing countries, reductions in production estimates for Central America and Mexico were more than offset by increases in Pakistan, Egypt, and Brazil.

World cotton consumption for 1979/80 is projected to exceed by about 300,000 bales the 1978/79 level of 62.8 million bales. The strong expansion in usage in 1978/79 of about 1.6 million bales over 1977/78's has continued into 1979/80. Consumption in the first three quarters of the season is expected to be above that of a year earlier, with some decline possible in the fourth quarter.

Preliminary reports indicate that most cotton-producing countries are still projecting real economic growth for 1980, but at a somewhat lower rate than in 1979. In general, textile producing- and exporting- countries continue to experience strong demand for textile products to be shipped in January-March 1980.

With foreign cotton production for 1979/80 estimated at 49.5 million bales, 550,000 bales above the 1978/79 level, and the strong foreign demand, the outlook for U.S. export has improved. The U.S. estimate for 1979/80 exports is for 6.5 million bales, compared with 6.2 million shipped last season.

The People's Republic of China has been an active buyer in recent months and as of September 30 had purchased nearly 740,000 bales for shipment in 1979/80. U.S. exports to the PRC in 1978/79 were 648,000 bales and the record for shipments to the PRC was 898,000 bales in 1972/73.

The U.S. spot market price in early October averaged 63 cents per pound for SLM 1-1/16", compared with 60 cents per pound a year earlier. The Northern Europe Index "A" averaged 78 cents a pound in September, 4 cents higher than in September 1978.

WORLD SUGAR SPOT PRICES GAINED NEARLY 1 CENT DURING SEPTEMBER—up from 9.34 cents per pound at the start of the month. The price reached 10.39 cents on the last market day in September.

During the first half of October, prices continued their upward movement, reaching 12.07 cents on October 15. This is the highest spot price for sugar since July 27, 1976.

This advance price of sugar is a result of both the recent general rise in precious metal prices and a change in the supply/distribution picture for sugar. It now appears quite likely that world sugar stocks will be drawn down during the current crop year.

And for coffee, although the market price remained relatively stable during September, the average for the month was 5 percent greater than the average in August and 31 percent above the average for September 1978.

Coffee prices in early October showed a further moderate gain. A general tightness of supply and strong consumer demand have been key factors in the rise in coffee prices since February of this year.

USDA'S LATEST FORECAST FOR THE 1979 LEAF TOBACCO CROP IS DOWN MARKEDLY. The U.S. tobacco crop is now estimated at 763,804 tons, down 17 percent, compared with the size of the 1978 crop, and 3 percent from the September estimate. Flue-cured and burley output, the major U.S. types, is well below year-ago levels and accounted for much of the drop in total U.S. leaf tobacco production.

The U.S. flue-cured tobacco crop is now estimated at only 457,099 tons, 18 percent below the 558,479 tons produced in 1978. Smaller area planted and a poor growing season are primarily responsible for the reduction. Sales of the flue-cured crop are in the final weeks, with markets in Florida, Georgia, and South Carolina already closed.

The average price for the flue-cured crop sold through October 10, 1979, was \$3.09 per kilogram, compared with \$3.08 for the 1978 crop. The Flue-Cured Tobacco Cooperative Stabilization Corporation has purchased 27,193 tons from this year's production. This compares with 15,056 tons during the same period a year earlier.

Burley output is expected to be down 20 percent from the 1978 level. The burley crop suffered from adverse weather and disease. The quality of the crop is expected to be mixed.

U.S. leaf tobacco exports in calendar 1979 are expected to be down from a record 317,527 tons shipped in 1978. Shipments to Japan, which country took 46,385 tons in 1978, may be down 10 percent. Shipments to the EC, the largest U.S. tobacco market, will also be down from the record 152,476 tons exported last year.

Flue-cured tobacco is expected to be off more than other types. Burley movements may equal those of last season.

THE OCTOBER WORLD OILSEED PRODUCTION FORECAST FOR 1979/80 WAS 177.6 MILLION METRIC TONS, 12 percent above the 158.7 million tons set for 1978/79. Record world soybean and sunflower crops account for most of the increase.

World soybean production is forecast at 94.4 million tons from a harvested area of 52.8 million hectares. The U.S. crop has experienced excellent growing conditions throughout most of the growing region with near-record yields projected. Argentina and Brazil are both expected to produce larger crops this year.

World sunflower production is forecast at 14.8 million tons, 19 percent above the 1978/79 level. The record U.S. crop will more than offset the drought-reduced Soviet crop.

U.S. exports of oilseeds and related products during 1978/79 are expected to remain strong but, because of additional supplies, some stock buildups will likely result by the end of the 1979/80 marketing year.

THE PRINCIPAL CHANGE IN THE WORLD GRAIN OUTLOOK DURING RECENT WEEKS IS a slight increase in export supplies. Higher grain production estimates in the United States are offset by further reductions in the Soviet Union and India.

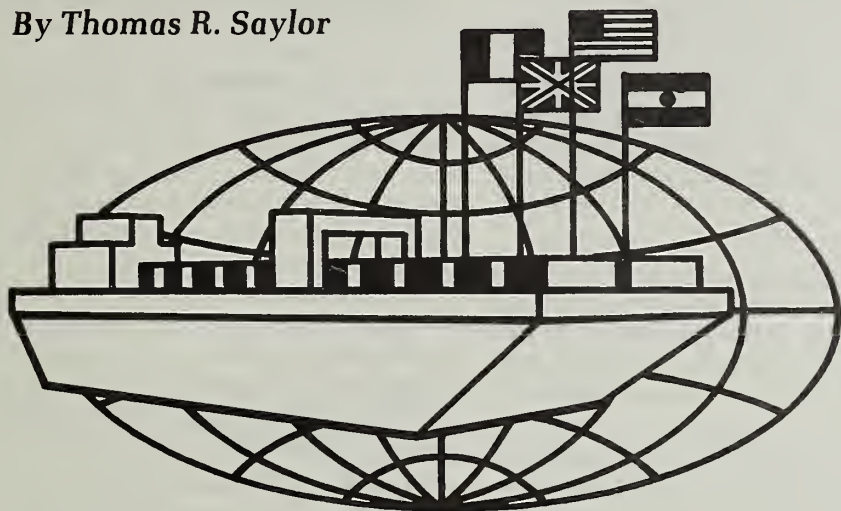
The latest estimate of 1979 world grain production, including milled rice, is 1,382 million tons, the second highest on record. Utilization of 1,421 million tons is expected to reduce 1979/80 carry-out stocks by about 39 million tons, 17 percent below those of 1978/79.

Projected 1979/80 aggregate yearend stocks would represent about 13 percent of worldwide utilization, compared with 16 percent a year earlier and 12 percent during the 1972/73-1974/75.

World trade is now estimated at 191 million tons, up from 190 million tons previously, with logistical problems in both exporting and importing countries as possible moderating factors on quantities moved.

The MTN Agreements— new ways to approach trade problems

By Thomas R. Saylor



The agreements reached in the Multilateral Trade Negotiations are extremely complex. We will have to work closely with the European Community (EC), Japan, and our other trading partners to insure that the agreements work satisfactorily and that there is no backsliding on commitments made.

The MTN agreements provide a new basis for approaching many trade problems. How the new rules will work will be seen only as specific cases are brought forward for resolution. For example, the new rules on the use of export subsidies try to define the notion of an inequitable share of world trade. Close cooperation between the United States and its trading partners will be essential to assure that the concepts in this definition can be applied in a reasonable way.

Implementation of the standards code will require an unprecedented exchange of information. Efficient procedures have to be developed to assure that the information is transmitted to those who need it and to assure that responses are available to interested governments on time.

Close intergovernmental consultation will be necessary to minimize any

problems in the use by supplying countries of the new cheese quotas established by the United States

Apart from the management of specific agreements reached in the MTN, close international cooperation will also be called for to assure that trade expansion and liberalization continues. Work needs to begin now under the General Agreement on Tariff and Trade (GATT) to explore a number of issues that were not finished in the Multilateral Trade Negotiations. Perhaps the most important of these issues is the improvement of rules on the use of safeguard actions or emergency restriction of imports. Even more generally, the peculiar difficulty of agricultural problems suggests the need for continuing consultations on the use of government policies in order to anticipate their impact on international trade.

Greater Market Stability

The U.S. price and income support program has essentially been oriented toward the international market and, more importantly, toward an international market into which we seek to build a greater element of stability.

The United States also pursues international market stability through commodity negotiations. These are designed to improve stability—for both prices and trading quantities—improve food security, and from the

viewpoint of less developed countries provide a basis for international resource transfer and thus foster economic development. Agreements vary from simple consultative mechanisms to agreements with extensive economic provisions including commodity stocking and export quota arrangements, as in the case of sugar.

In discussions of the International Sugar Agreement the United States tried to reflect both the concerns of domestic producers and those of consumers in the world's major importing countries. We sought to add stabilization elements that will protect the producers of our own and other countries from very low prices. We also secured devices to protect the major importing consumer countries, like our own, from the extraordinarily high prices that could result as a producer overreaction to low prices.

We approached the negotiations on the International Wheat Agreement, which were adjourned indefinitely last February, in roughly the same manner. We recognize that stabilization has to be an important element but insist that price and production adjustments also must be included to complement a stock mechanism. These measures are needed both to protect importing countries and to deal effectively with the adverse effect of production that cannot be absorbed at satisfactory prices in domestic and world markets.

The present circumstances illustrate the importance of large and widely distributed reserve stocks. Despite efforts of major exporters to meet the strong demand of world trade, logistical limitations have become an increasingly important constraint on the availability of grain to the international market.

The U.S. proposal included accumulation of wheat stocks nationally held by member countries with minimum and maximum trigger prices that would result in accumulation and release of stocks as the market required. Rigid minimum and maximum price levels would not be fixed, but if prices moved below minimum levels, despite accumulation of stocks, other adjustment measures would be used.

The potential for success in achieving this kind of wheat agreement is difficult to predict at this time. Numerous problems were encountered in defining the nature of the adjustment measures that might

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be required, the size of the reserves, the width of price band, and other aspects of the agreement. Many of the differences on these questions were resolved prior to adjournment, but it is still unlikely that agreement can be reached on a broad enough basis to ensure a workable arrangement.

Pressures that push for an effective international agreement on sugar or wheat also lead toward actions that could have substantial effects in reducing the prospects for trade liberalization and an improved trading world. The realities are that extreme income pressure on domestic producers in the United States or any country generally creates demands for domestic programs to push up prices. These short-term pressures overwhelm the long-term context. In most cases, the proposed price levels, while producing reasonably satisfactory income to producers, will almost certainly disrupt the prospects of expanding exports and liberalizing trade and, of course, in all likelihood, the chances for any reasonable stabilization agreements.

Thus, the political forces that press for some kind of commodity action when supplies are adequate and prices are falling are often the same forces that make it more difficult to deal with the certain future problem of substantially rising prices and diminished supplies. For this reason it is all the more important that countries work together to anticipate the problems that may interrupt the orderly growth of trade and stability of markets.

Several areas specific to U.S.-EC agricultural relations seem likely to be most troublesome in the future, and will require especially close cooperation.

● **EC Enlargement.** The expansion of the Community to include new members is a matter for EC decision alone. However, the United States is concerned that its trade, and especially its trade rights gained in previous negotiations with the Community, might be damaged as a result of enlargement. We hope to work with the Community to minimize trade disputes growing out of the enlargement process.

● **Export Subsidies.** Whether or not the intent of a subsidizing exporter is to compete fairly, the existence of a subsidy presents too-ready a tool to maintain targeted trade flow. The

question becomes not one of whether the product is competitive, but what price is necessary to move a given volume of the commodity. This is obviously resented by those who maintain regular markets built up through long-term effort.

● **Feed Ingredients.** Efforts to take a more restrictive role against grain or nongrain feed ingredients strike at one of the most sensitive areas of U.S. agricultural exports. Any restrictions in the sector against the United States or any other supplier would be viewed as threatening one of the most important growth markets in agricultural trade.

North-South Dialogue

It is in the interest of all that we should now graduate into the second phase of the North-South Dialogue, where reasoned analysis replaces initial heated arguments. This will not be an easy transition. Nor are we always going to be able to clearly separate passion from reason. But one contribution that reasoned analysis can make is in making the international community conscious that it is possible to combine the legitimate

"It is possible to combine the legitimate aspirations of the developing countries with the enlightened self-interest of the developed countries for an international economic order that works to the long-term benefit of all nations."

aspirations of the developing countries with the enlightened self-interest of the developed countries for an international economic order that works to the long-term benefit of all nations.

This is to say that the international community should focus its primary attention toward exploring areas of common interest between developing and developed countries. I suggest this for two reasons. First, we are now entering that phase of the North-South Dialogue where practical compromises can only be reached by identifying the middle ground that unites the two sides rather than concentrating on the extreme edges that

divide them. Secondly, the degree of interdependence between developing and developed countries is increasing very rapidly. Moreover, there are indications that this trend is going to accelerate dramatically over the next few decades.

A growing number of developing countries are coming increasingly to view the GATT as a forum where progress, albeit slow, is possible on trade matters of interest to them. The recent MTN accords within the GATT framework contain a number of provisions that recognize and facilitate special and differential treatment for developing countries. They establish special procedures for balance of payments consultations; facilitate the use of trade measures for specific development purposes; and provide for negotiations whereby developing countries may grant preferential treatment to one another.

The 1980 GATT budget contains significant amounts to assist developing countries in these endeavors. Moreover, by agreement of the contracting parties, the special assistance unit established to supply the statistical and evaluating support to these countries will be continued in the post-MTN period with adequate funding.

The North-South negotiating process in UNCTAD resumed in early September, with the first session of the interim committee on a common fund to be followed by a full calendar of negotiation on a wide range of topics. In addition, the Trade and Development Board in October considered a number of unresolved issues from UNCTAD V, which could have a major impact on UNCTAD's future work program.

Noticeably missing, however, from the agenda of vital issues to be considered within the UNCTAD framework is energy. In light of the importance of energy to future global economic growth, we believe it advisable that energy issues (including oil prices) be included on future UNCTAD work programs.

Needless to say, the sensitivities on many trade and related issues remain strong and will require world leaders to look beyond short-term pressures. Each policy decision must be viewed as a precedent in the evolution of future economic policy. Hopefully that future means expansion rather than restriction of world trade. □

Soybeans Fill Growing French Feed Requirements

By Harold A. McNitt

France's expansion of its livestock and poultry numbers is generating unprecedented demand for protein-rich feed ingredients. As a result, steadily rising imports of soybeans and meal will be required to fill the growing needs of French feed compounders, despite efforts to increase domestic production of protein feeds.

Although France has an official goal of 35 percent self-sufficiency in protein feeds by 1982 (up from the prevailing level of about 20 percent), total protein feed requirements are rising by about 120,000 metric tons annually because of sizable boosts in hot and poultry production.

French compounders produced 13.3 million tons of feed in 1978, a 6.4 percent gain over 1977's output. In the rapidly growing poultry feed sector, production increased by over 8 percent.

France's imports of soybeans in terms of soybean meal equivalent (SME—meal plus the meal content of beans) nearly quadrupled between 1968 and 1978—from 780,000 tons to 2.9 million tons. Imports during 1978 alone were a strong 35 percent higher than in 1977. Soybean meal is favored by feed compounders because of its nutritional value, ready availability, and relatively low cost (soybeans and meal enter the European Community

duty-free). An additional factor—relatively new to France—is the increasing use of compound feeds of manioc, which must be supplemented by protein-rich ingredients such as soybean meal.

Although the U.S. share of the French soybean market has varied from year to year in the 1970's, the United States still retains the most important market share, shipping almost 700,000 tons or about 90 percent of total French soybean imports in 1978. For meal, the U.S. share in 1978 was 372,000 tons, or 16 percent of the market.

During the first 5 months of calendar 1979, France's imports of soybeans rose 12.6 percent from the year-earlier total to 383,800 tons, while imports of soybean meal advanced 22 percent to 1,093,000 tons.

Meanwhile, the French are seeking expansion of other crops to lessen their dependence on foreign sources of protein feeds. Rapeseed, a traditional source of protein, is receiving renewed attention.

France's rapeseed production increased sharply to a peak of more than 700,000 tons in 1972, then declined because of scientific concern over the relatively high erucic acid content—a possible health hazard.

This handicap was overcome through development of new rapeseed varieties that are virtually free of erucic acid, but other problems remain. One of these is the presence of undesirable sulfur components—glucosinolates—that severely limit rapeseed's usefulness as protein feed, and a high percentage of cellulose in rapeseed meal (caused by the thick seedcoat) that reduces feed value.

Research in Canada, France, and other rapeseed producing countries resulted in solution of these problems, and varieties low in sulfur-glucosinolates are now available for use.

Cellulose content can be reduced by dehulling or through development of new rapeseed varieties with thinner seedcoats. The genetic approach has already met with success in Canada.

Rapeseed production was an estimated 590,000 tons in 1978, but the 1979 crop appears to be a failure at only 400,000 tons. France hopes for an output of about 700,000 tons by 1982—same as the 1972 level—and an accelerated increase in subsequent years as new high-yield improved varieties become available.

Production of field peas and horsebeans as feed ingredients also are receiving priority attention in France. Encouraged by the availability of Government credit, producers expanded planted area from 4,000 hectares in 1975 to more than 15,000 hectares in 1978, and a further boost to 25,000 hectares is planned for 1982.

Subsidies offered by the European Community for production of field peas and horsebeans are another incentive for increased output.

Field peas theoretically could provide up to 15 percent and horsebeans up to 10 percent of compound feeds for monogastric animals without any appreciable slippage in weight-gain performance, according to some French authorities.

So far, efforts to increase yields of feed peas have proven more successful than the trials for beans, as horsebeans hybridization has run into technical difficulties.

Alfalfa is another widely grown crop in France that has strong potential as a protein-feed ingredient.

Cultivation of soybeans in France would be an obvious way to lower dependence upon imported high-protein items, but French efforts to develop an indigenous soybean industry thus far have not been very successful because French agronomic conditions do not meet soybean requirements.

When French commercial soybean production started—with Government encouragement—in 1974, a 200,000-ton target was set for 1980. This goal proved to be unrealistic. Output in 1978 was only 4,500 tons. Production has been hampered by poor yields and prices relatively less favorable than those for corn and other grains.

France's increasing requirements for high-protein feedstuffs to supply its expanding animal and poultry numbers, considered in the light of problems in developing major new domestic sources of supply, virtually preclude any substantial alteration in the existing French pattern of feedstuff imports.

As a result, France's imports of soybeans and soybean products from the United States and other major suppliers appear likely to hold their present relative positions, as the options for any major shifts to other feed ingredients are narrowed by such wide-ranging factors as economics, technology, and climate.

The author is agricultural economist in USDA's Economics, Statistics, and Cooperatives Service.

U.S. Agriculture Still Bullish on Japan—Exports There Exceed \$5 Billion

Whatever the reason—U.S. success in trade negotiations, changing Japanese eating habits, or merely marketplace realities—one thing is clear: U.S. agriculture continues to have a bright future in the Japanese market.

At the turn of the decade the first billion-dollar buyer of U.S. farm products, Japan by calendar 1978 had more than quadrupled that level—and boosted taking 14 percent above those in 1977—to become a \$4.4-billion market. It is heading toward \$5.3 billion in calendar 1979, with gainers ranging from soybeans, to high-quality U.S. beef, to U.S.-produced sake. (Forecasts for the fiscal year that ended September 30 placed exports at \$4.9 billion; trade data just in, however, actual exports reached show \$5.06 billion.)

Officials at the U.S. Department of Agriculture see a number of factors contributing to this sustained growth. One is the successful conclusion of bilateral and multilateral negotiations on agricultural trade and resulting Japanese concessions on U.S. beef, citrus, certain poultry products, and a number of other items. Another is continuing growth in demand for products, such as beef, where per capita consumption is low compared with that in most developed countries. Still another is the economic advantage enjoyed by U.S. producers in a market where cost factors for raw materials—and now increasingly for labor—favor them over Japanese and other suppliers.

Short-term, commodity exports also are being influenced by higher prices for grains and other big-ticket items.

Data from the U.S. Census Bureau (in millions of dollars) show gains in U.S. exports of the major commodities and commodity groups during

fiscal 1979 including:

	1978	1979
Wheat and flour	398	505
Feedgrains	1,149	1,233
Soybeans	967	1,117
Cotton	324	425
Livestock and livestock products ..	590	861
Fruits and preparations	176	225

Some of this growth—particularly in beef and orange exports—reflects concessions won from Japan in bilateral negotiations.

In addition, further expansion of trade is expected to result from the recently concluded Multilateral Trade Negotiations (MTN). These negotiations led to concessions on 150 products of trade interest to the United States, including tariff reductions for products such as chicken legs, fresh grapefruit, almonds, and protein concentrates and isolates; binding of the duty-free status of soybeans; and import quota increases for beef, oranges, and citrus juices.

It has been estimated that the quota increases alone could boost annual import value of the three U.S. products by nearly \$125 million in 1983 when the increases will have been fully implemented. Far the largest gain—\$77 million annually—is seen for U.S. beef exports.

A 68-percent increase in the quota for U.S. beef this year, to 16,800 tons, already has been reflected in Japanese trade statistics: imports of U.S. beef in the first half of 1979 were up 126 percent from those in the same period of 1978 to 11,347 tons. This gave the United States nearly 20 percent of all Japanese beef imports against 10 percent a year earlier.

In fact, beef—both imported and home produced—will most likely figure importantly in future import expansion. At 4.6 kilograms per capita, Japanese beef consumption has a long way to go before approaching the 55.9 kilograms per person consumed in the United States last year. High prices,

traditional preference for fish over red meat, and other factors probably preclude a catchup with the U.S. level. However, conditions are changing in Japan, and virtually all of the changes auger for increased beef consumption.

John S. Beshoar—U.S. Agricultural Attaché, Tokyo—sees tremendous potential in this area. “If the price were right, we could sell all the beef we could possibly produce for Japan.”

He concedes that prices like the \$31 per kilogram recently charged for boneless sirloin steak in Tokyo still suppress demand, but believes market factors and consumer pressures could lower prices in coming years.

“The publicity surrounding our negotiations last year on beef, where we were pressing for access and the producers were resisting because they felt this would harm their interests, got a lot of Japanese interested in trying high-quality beef. And it sensitized people to the fact that they are paying an incredible price for beef.”

Reflecting the public interest, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) has begun financing programs designed to lower the price of beef. It has, for instance, lent financial support to meat packing plants in Tokyo, Kawasaki, and Yokohama in the hope that efficient operation of the new plants and daily price changes will help moderate retail prices.

Meanwhile, the MAFF's April revision of its forecast for beef consumption growth in 1979—from 5 percent to 10 percent—indicates the interest in beef, even at today's high prices.

Another factor in the demand picture is the declining importance of fish as a dietary mainstay, partly because of 200-mile fishing limitations recently imposed by a number of countries. These limitations have led to reductions in the Japanese catch of traditionally preferred fish and thus pushed their prices beyond levels affordable by many consumers. Efforts to promote lower quality fish, on the other hand, have not met with widespread consumer acceptance.

As a result, per capita consumption of fresh and frozen fish fell 6.7 percent in 1977 to 25.2 kilograms, and that of processed fish slipped 2.8 percent to 38.3 kilograms—declines that probably continued into 1978 and 1979.

These trends then are being reflected in imports of U.S. beef and will continue to show up in the beef-

By Beverly Horsley, Associate Editor, Foreign Agriculture.

quota increases promised by Japan for the next 5 years. They also will have an impact on Japanese imports of U.S. corn, grain sorghum, soybeans, soybean meal, and other feedstuffs as Japanese livestock and poultry producers expand output to satisfy demand. Last year, such products accounted for more than three-fourths of all U.S. agricultural exports to Japan.

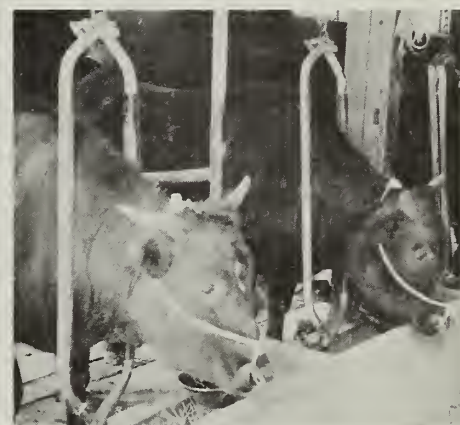
Poultry and pork industries so far have been the big users of imported feedstuffs and will continue to take more as demand for their products increases. And prospects also look bright for intensive feeding of beef cattle—an industry still in its infancy but being emphasized both by the Government and private interests.

According to Beshoar, that industry so far has been handicapped by some major problems, including the small size of most holdings—currently averaging only about 5.5 animals per unit, despite steady increases in their size—and the general lack of experience among producers. But he thinks Japanese beef producers can make money at lower prices if they effect some rather elementary changes.

For example, one producer receiving technical help from the U.S. Feed Grains Council went from a \$160,000 loss one year to a \$60,000 profit the next by using better practices that cut the death losses and resulted in higher grade cattle.

Beshoar adds that a number of producers still have the idea that they can raise four or five Black Wagyu cattle on 2 or 3 hectares and in the end fetch premium prices for the much-touted Kobe beef. He says, "This rarely happens because in most cases the animals have been overfed. A better way would be for producers to work together through cooperatives or the MAFF in a program that would introduce feeding practices similar to those in the United States. At much lower cost, they would be able to produce medium-grade beef—with good consumer acceptance—and make more money than they possibly could producing Wagyu."

Another Japanese concession to the United States that will at least help maintain U.S. trade is the zero duty binding on soybean imports. The binding may appear to be of little value now, since soybeans enter duty-free and Japan produces only small amounts of edible beans, but experiences with the European Com-



Top to bottom, left to right: Grain unloading facility, Yokohama. Japan is the largest single-country importer of U.S. grain. A feed manufacturing plant in Kobe. Some of the feed used in conjunction with livestock feeding demonstrations sponsored by the American Soybean Assoc., and feeding of Wagyu cattle.

munity indicate its potential importance. "When we got that same concession from the EC in the early 1960's, it didn't look like much," explains Beshoar, "but it is now one of the most important concessions we have in agriculture from the EC. A year from now, 5 years from now, 10 years from now, the concession from Japan could be very valuable."

Trade results without a doubt have proven the worth of the unrestricted market for U.S. soybeans. "The biggest highlight of the past year (calendar 1978) was that Japan's soybean imports were up more than half a million tons—much more than projected," says Beshoar.

But he also sees some interesting new developments among lesser exports, not only of beef, pork, and citrus products, but also of items once produced only in Japan. "U.S. wheat exports to Japan are growing no faster than population. But we are maintaining this large chunk of what is basically a stabilized market and we are getting a lot more U.S. wheat into Japan in other ways. We are getting it in as frozen bread dough, cookies, crackers, and biscuits because the demand is there and the Japanese Government is limiting imports of wheat as such through its Food Control Law."

In several cases, the Japanese are finding it cheaper to import the processed item than to produce it at home. The country, for instance, has a

5-million-ton rice surplus but still imports rice in one form—sake. According to Beshoar, one California company already is exporting sake to Japan and still another is lining up a joint venture in the United States.

Price savings? Extensive, considering that rice prices in Japan are more than four times world levels and soaring Japanese labor costs are making it profitable to manufacture in the United States.

These minor items may not count for much individually, but they indicate a trend toward imports of processed products that could blossom into a new growth market.

And each small breakthrough can contribute toward narrowing the huge deficit in total U.S. trade with Japan. That country's several concessions to U.S. agriculture during the MTN's indicates its desire—as well as this country's—to reduce the gap, which amounted to \$12.1 billion in calendar 1978. "Nobody can tell you for sure when substantive improvement will take place," says Beshoar. "But two things are obvious: A realization on the Japanese side that a change in attitude toward imports is essential and a lot of effort on the part of the United States, the EC, and other exporters to open up the Japanese market."

Considering the giant strides so far in U.S. farm sales to Japan, the prospect of an "open" market is mind-boggling. □

Canada Weighs Proposed Shifts In Rail Rates For Grain

Operations of Canada's Wheat Board, and grain transportation policies and procedures, are being widely discussed by that country's grain and oilseed producers and shippers, and major changes in both areas may be forthcoming, according to a Canadian food industry consultant, who recently addressed the Rural Transportation Advisory Task Force in Washington, D.C.

Ken W. Stickland of Edmonton, Alberta, who spoke at the USDA transportation conference August 14—along with Dr. J. J. Richter of the University of Alberta—said it is possible that among the changes will be removal of all grains and oilseeds except wheat from the Wheat Board's operations. It may also give up some of its control over railroad car movements and allocations.

Canada's grain shippers and railroads are beset by a number of problems of long standing, according to Stickland, who pointed as an example to the low shipping rates set under the Crowsnest Pass Agreement of 1897. He noted that grain shipping rates are one-quarter to one-sixth those in the United States, but that little can be done to raise them until the Canadian Government is ready to make some basic political decisions.

In the last 12 years, he noted, most other shipping rates have been raised, some several times, while that for grains remains at the level set more than 75 years ago. This low rate not only imposes financial hardships on the railroads as they must in effect help to subsidize the movement of grain and oilseed, but it also dampens

Argentina Lifts Embargo On Cattle Hide Exports

Effective October 1, 1979, Argentina lifted its export embargo on cattle hides and skins and lowered the export tax to 20 percent ad valorem. The tax will be phased out in stages that call for its elimination within 2 years. These actions were agreed to in bilateral talks held in Washington during August 1979, and subsequently confirmed in an exchange of diplomatic notes.

The United States in the same talks agreed to a schedule of duty reductions of canned corned beef (TSUS 107.48)—a reduction from 7 to 4.5 percent on October 1, 1979, and to 3 per-

cent on October 1, 1980; and on bovine leather (TSUS 121.62)—a reduction from 5 percent to 2 percent on October 1, 1979, to 1 percent a year later, and to zero on October 1, 1981. In addition, the United States agreed to consult on cheese quotas negotiated in the Tokyo Round of the multilateral trade negotiations.

The agreement by Argentina to liberalize its hide exports represents an action to improve the imbalance in world supply of and demand for cattle hides. The United States, the world's major producer, continues to export hides freely and to serve as the main source of supply. Several other producing countries maintain export embargoes, export taxes, or other measures that severely restrict exports of hides. □

the railroad's drive for efficiency. Furthermore, it cuts into funds that would otherwise be available for road and equipment maintenance, repairs, and replacement.

Because of car shortages—resulting in part from inadequate grain movement revenues—Stickland said Canadian exports in recent years were not what they could have been. He said that in 1977/78, farm product exports were Can\$400 million less, and in 1978/79 they were in the neighborhood of \$600 million less. This figures out at about \$5,000 per farm family.

Many blame the loss of export revenue on the Canadian freight car shipping rate, which—they say—inhibits export growth.

At the present time, Stickland said, 45 percent of Canada's Prairie-grown grain is shipped to Pacific ports for export at a lower shipping cost than similar shipments going East to St. Lawrence through Thunder Bay, making greater the return to farmers shipping grain westward. This westbound share is expected to rise to 50 percent in the next several years, further straining western grain-handling facilities.

Facilities at these ports now are capable of handling 325 million bushels of grain and/or oilseeds a year, Stickland said, but the figure can be stepped up to 425 million bushels if desired. Furthermore, the grain-gathering system has been improved by the closing of a number of country elevators of low efficiency and the opening of several other larger, more efficient fast-loading elevators strategically located in the Prairie Provinces.

Others may be built once shipping rate increases become a reality, an event that would be expected to help boost the number of available railroad cars.

Already the number of hopper cars is increasing noticeably, Stickland said, and improved rail management procedures have reduced car turnaround time from 22 days to 18 days.

Canadian railroads get 22.9 Canadian cents to move a hundredweight of grain about 900 miles. This compares with well over \$1.00 per hundredweight for some similar movements in the United States. The situation is further complicated in Canada by the absence of demurrage

payments on rail cars, so there is little incentive to move and unload grain cars expeditiously.

It is estimated that Canada's railroads suffer a \$175-million deficit each year in moving grain, which, in effect, is a subsidy to the farmers by the railroads.

In 1977, farmers paid only 34 percent of the freight shipping bill for grain and the Government provided 18 percent. The railroads' contribution amounted to about 50 percent of the total, paid by taking revenues from other more profitable freight movements and applying them to the grain shipment bill.

According to Stickland, the flood of debate about Wheat Board operations and the railroad situation is causing feedgrain and oilseed shippers to look for a number of changes in the not too distant future. They expect the Crowsnest rate to be boosted within the next 2 years.

(Stickland said his recommenda-

"In 1977, farmers paid only 34 percent of the freight shipping bill for grain and the Government provided 18 percent. The railroad's contribution amounted to about 50 percent of the total . . ."

tion, if asked, would be for a Crowsnest rate with a top figure 3½ to 5 times the present rate, with any subsidy benefits accruing to the farmers.)

A Royal Commission or Parliamentary Task Force is likely to be formed this year to study changes in the freight rate issue and methods to purchase additional hopper cars to accommodate growth.

The debate over whether the Wheat Board should handle wheat, barley, and oats—as it does now—or wheat only, is expected to be settled as part of the freight rate decision.

Stickland opined that the Federal Government will resolve the question by legislating a rate change and a new direction for the Wheat Board.

One factor complicating the grain trade in Canada is the number of in-

puts required in the decisionmaking process. In the United States relatively few agencies are concerned in the making of grain policy. In Canada, such bodies as the Board of Grain Commissioners, the Feed Board, and the Canadian Transportation Commission must be consulted by the Wheat Board before grain collections and movements can be planned for the export trade.

Richter, who discussed the historical aspects of Canada's grain trade, said the Government and the trade recognize the need for a strong grain infrastructure, including an ample stock of railcars. Canada has a long tradition of supporting such an infrastructure, he said, as a carryover from the early days when the grain trade consisted mostly of sizable shipments to Great Britain to pay for goods and services flowing westward from the home island.

Thus, from its early days as a colony, Canada has been export oriented, and grain was one of the important commodities traded.

He also noted that some observers believe the Wheat Board has too much power, but there is generally little understanding by the average farmer of its powers and responsibilities. Farmer's interest in the Board waxes and wanes, depending on the crops they are growing and the income that results.

In early days, the Board acquired additional powers by just doing what was required—solving problems as they arose. In the last several decades, however, Royal Commissions have been established periodically to handle ad hoc matters, and this tended to increase the Board's power. Many of the Commission's recommendations were turned into law, not only continuing the strengthening process, but also adding to the Board's unwieldiness.

At the present time there are many who want to freeze the Board's powers and duties at existing levels, neither adding nor taking away anything, except possibly limiting the type of grain it handles. On the other hand, many farmers do not want to tamper with the Board because they are more interested in the sense of equity it provides in such matters as delivery quotas, pooled payments, and storage and shipping arrangements, than in Board efficiency. □

Postwar Record Seen For U.S. Apple Exports

By Gilbert E. Sindelar

Exports of U.S. apples this season may reach their highest level since World War II as a result of a bumper U.S. harvest and stepped-up demand in certain markets.

Tentatively, it looks as if the final export total for 1979/80 (July-June) could be somewhere in the neighborhood of 8.6 million cartons (42 lb). This follows on the heels of two exceptionally strong performances, marked by a record in terms of value last year and a postwar record in terms of volume during 1977/78. Those records—7.5 million cartons valued at \$66.7 million in 1978/79 and 7.9 million cartons valued at \$66.3 million the year before—came as a result of reduced European crops in the earlier year followed by exceptionally strong demand the next.

The average value of all exports last season amounted to \$8.86 per carton, or almost 45 cents per carton better than in the preceding year in a market that encompassed 60 countries.

As always, Western Europe is a critical factor in the trade picture, both in terms of imports and export competition. Preliminary estimates indicate that output in 11 major producing countries there will be down 2.2 percent from last year's to 7.8 million metric tons. Distribution of that crop could stimulate a mild increase in U.S. exports to Western Europe, which may reach 1.1 million cartons, compared with 953,000 last season.

Looking first at the major European competitors—France, the Nether-

lands, and Italy—trade is likely to be helped by:

- A 6 percent decline in the French crop to an estimated 1.67 million tons from 1.78 million last season, which should diminish competition from this leading European exporter;

- A 6 percent decline also in the Dutch crop to 460,000 tons.

These reduced crops together should offset the expected 5 percent increase in Italy's production to 1.97 million tons.

These three countries together normally account for at least three-fourths of Western Europe's apple exports.

"As always, Western Europe is a critical factor in the trade picture, both in terms of imports and export competition."

The only other European exporter of note, Spain, harvested its largest crop in 4 years—a little more than 1 million tons, against 967,000 last season. However, Spanish apples have not yet created a serious disturbance in West European markets.

In contrast, production in the major European apple importing countries—the United Kingdom, West Germany, and Norway—is below last season's. That in West Germany, Europe's largest importer, is down 10 percent from last season to around 1.6 million tons. Norway's crop, at only 45,000 tons, is off by almost one-fourth. And total production in the United Kingdom is about 4 percent shy of last

season's 327,000 tons despite a 19 percent gain in the leading dessert variety—Cox's Original Pippin.

During 1978/79, the United Kingdom took some 124,000 more cartons of U.S. apples than had been expected and was this country's major market in Western Europe. Total U.S. shipments there reached 324,000 cartons in 1978/79, compared with an unusually large 436,619 cartons shipped in 1977/78 and 75,465 the year before.

Sweden was the next largest market, taking 166,474 cartons, followed by Norway and Finland.

In the Western Hemisphere, Canada will remain far the largest outlet for U.S. apples, but its takings may dip slightly from the 2.6 million cartons shipped in 1978/79. Last season's showing in Canada was better than expected, considering that the Canadian dollar was worth only around 85 U. S. cents—a relationship that is not conducive to exports from the country with a stronger currency.

In Latin America, chances appear good for some gain from last season's levels.

Exports to Mexico could increase from the 245,297 cartons shipped in 1978/79, and those to Central America and Mexico combined might reach 700,000, against 501,000 last season.

The Caribbean currently is enjoying a tourist boom—partly because of the continuing disparities between the U.S. dollar and European currencies—which in turn may boost demand for consumer-ready products. Although sales increases to any one market there will not be large, pluses are anticipated for the French West Indies, Jamaica, the Leeward and Windward Islands, the Netherlands Antilles, and Trinidad and Tobago. Consequently, total U.S. exports to the region this season are pegged at 400,000 cartons, against 255,000 shipped in 1978/79.

Exports to South America likewise could climb, to about 700,000 cartons from about 502,000 in 1978/79. Given attractive prices, gains appear possible in both Venezuela and Colombia—largest U.S. markets in the region last year, with takings of 213,306 and 195,292 cartons, respectively. In Brazil's tightly controlled market, some headway could be made as a result of a Brazilian concession to the United States under the General Agreement on Tariffs and Trade

The author is Director, Horticultural and Tropical Products Division, FAS. Material in this article is based on a speech before the International Apple Institute's Apple Marketing Clinic, Des Plaines, Ill.

(GATT) as compensation for increased duties on aircraft and aircraft parts. The concession calls for duties on apple and pear imports to be reduced from 32 percent ad valorem to 15 percent during August-December of each year. During that period, the United States will be eligible to participate in an import quota (non-Latin American Free Trade Area) of 10,000 tons.

The Brazilian Government also has announced that it is phasing out the prior deposit requirement of 100 percent of the f.o.b. value of imports. The first step—a 10 percent reduction—was taken in January 1979, and a second 10 percentage-point cut was made in July.

Another trade-liberalizing move that could have even more market impact took place in Taiwan, where apple imports heretofore have been subject to rigid limitations. These restraints included a monopoly on apple imports by the Central Trust of China and resulting high prices for apples in the domestic market, where between \$1.25 and \$1.50 per apple and higher was often the rule.

Effective August 1, however, Taiwan began allowing apple imports from all sources except Japan and opened the market to private importers. Only new-crop apples are permitted entry, and importers must obtain import licenses from the Board of Foreign Trade.

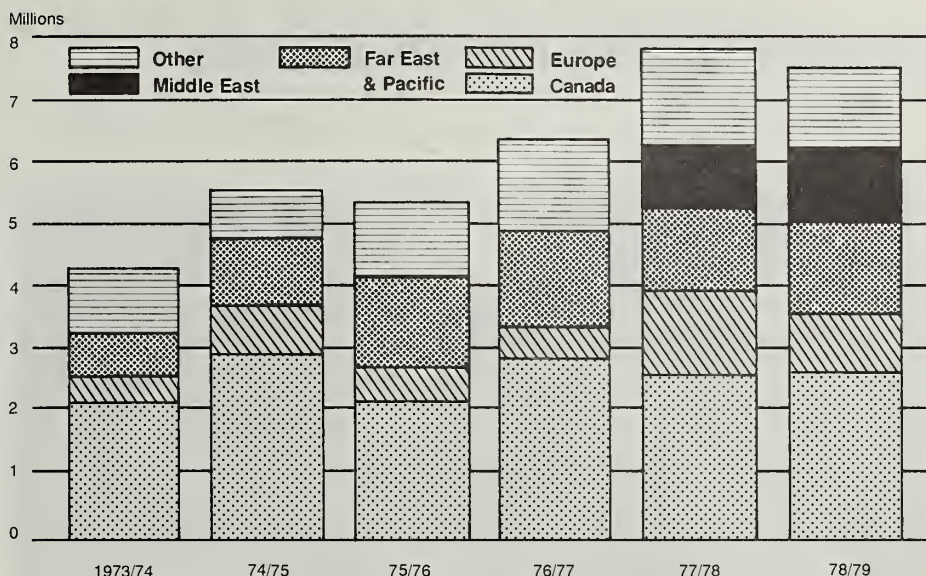
Tempering factors are the still-high duty of 75 percent ad valorem and the requirement that each shipment carry a certification saying it is composed only of new-crop apples.

Last year, the United States shipped 162,274 cartons of apples to Taiwan, despite the stiff requirements that then prevailed.

The largest outlet in the Far East last season was Hong Kong, taking 755,096 cartons. Greater buying by these markets, plus Singapore, Malaysia, and other major purchasers in the area, should push sales in the Far East and Pacific area to around 1.8 million cartons. This compares with 1.5 million shipped there in 1978/79.

The Middle East should continue to grow as a market, taking perhaps 1.3 million cartons, against 1.13 million last season. The region made a spectacular entry into the U.S. market sphere between 1976/77 and 1977/78, when U.S. sales there shot from

U.S. Exports of Fresh Apples (In cartons)



nothing to 973,665 cartons. However, further expansion has been difficult and complicated by the intense competition from Italy, France and other exporters. Saudi Arabia is far the largest importer in the region, taking 880,881 cartons of U.S. apples in 1978/79, followed by the United Arab Emirates with 227,848.

Africa once barely rated mention as a market for U.S. apples, but increased buying by Egypt and a few other nearby countries is boosting prospects there. As a result, it looks as if U.S. shipments to the region could reach 100,000 cartons, compared with 55,000 in 1978/79.

Looking down the road, U.S. apple exports will be helped somewhat by concessions received in the Multilateral Trade Negotiations that concluded this past spring. However, benefits are far less than those received for many other horticultural products. They include:

- A 50 percent cut in Norway's import duties;
- A reduction from 10 percent to 8 percent in the European Community's import duty on apples during the first quarter of each year;
- A promise by the Philippines to lower its duty from the current 100 percent ad valorem to 50 percent by 1983;
- A reduction to zero in New Zealand's duty, coupled, however,

with a quota limitation on imports; and

- A binding of Colombia's duty at 20 percent ad valorem.

A potential competitor of the future is the People's Republic of China. Although information here is still fragmentary, reports from key markets indicate some export activity on the part of the Chinese. Volume is still relatively small, but there are signs that processing operations in China are increasing, and solid-pack apples have been evident at times in Canadian import statistics. In addition, fresh apples from China have appeared in most of the Far Eastern markets except Japan, where imports of apples are prohibited because of the codling moth.

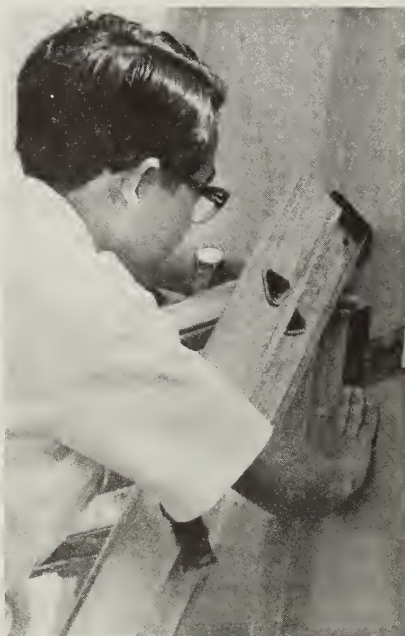
One member of a U.S. team that recently visited China reported seeing an abundance of apples in the country and a keen interest on the part of the Chinese in the market for concentrated apple juice.

According to information recently supplied by the U.S. Agricultural Officer in Hong Kong, China's fruit trees of all descriptions cover 16.5 million hectares, which amounts to nearly 41 million acres.

The report also states that tree research institutes have been set up in 28 provinces and that 30 agricultural colleges have departments in horticulture. □

Agreement With Japan To Boost U.S. Hay Exports

Timothy Hay Shipments Resume



Top: Under USDA supervision, workers at Ellensburg, Wash., fumigate bales of hay for export to Japan. Above: Record of fumigation is attached to hay bale. Above, right: Copper indicator plate is affixed to hay container. Right: Legend "USDA Certified Export Hay" indicates compliance with terms of recent inspection agreement by Japan and the United States.

Successfully completed fumigation tests, held under the supervision of a Japanese inspector, have opened the way to larger exports to Japan of U.S. baled hay, particularly of timothy hay. Shipments of timothy hay were started upon completion of the tests in midsummer, after having been interrupted for some time. Japan is the No. 2 export market for U.S. hay, preceded by Canada.

As a result of the tests, held in Washington State, the Japanese Ministry of Agriculture, Forestry, and Fisheries (MAFF) has approved USDA's Animal and Plant Health Inspection Service (APHIS) as the U.S. Government agency certified to supervise compliance agreements with U.S. shippers. Locations in Ellensburg and Seattle (both in Washington State) have been approved by MAFF as designated fumigation sites.

The test resulted from a preliminary agreement reached in February between a USDA/hay industry team and the Japanese Ministry. Japanese and U.S. trade sources have asserted that the new agreement will result in U.S. hay exports to Japan substantially larger than the \$4.1 million worth exported to that country in 1978. And they believe the potential for long-term growth is even greater.

Negotiations by the U.S. team—consisting of the U.S. Agricultural Counselor in Tokyo, representatives of APHIS, the Department's Science and Education Administration (SEA), and the National Hay Association—resulted in the February agreement, final acceptance subject to the recent tests. These were sponsored by the Hay Association and producers and dealers in Washington's Kittas Valley and held in late July and early August.

As a result of the tests, the new fumigation procedure has been approved as the only one to be used to prevent the inadvertent entry into Japan of Hessian fly pupae in host plants in baled hays.

The agreement, which covers timothy, orchard, and brome hays, is optional since exporters may continue to ship unfumigated forage crops to Japan at their own risk. The new fumigation method, viewed as an expandable pilot program, which can be easily extended to other forage crops, removes most of the risk involved in making hay shipments to Japan.

It was decided back in February that it would be unnecessary for MAFF to make continuing, onsite cer-

tifications of hay shipments if the fumigation method, incorporating the use of tarnishable copper plates, were adopted. The plates are placed in baled hay containers and present a visual guarantee that fumigation has taken place. The fumigant, aluminum phosphide (phosphine gas), causes the copper plates to corrode, evidence the hay was gassed.

MAFF intends to approve the fumigation and certification program for all types of baled forages, at shipper's option, because the results of the USDA fumigation trials with timothy hay are regarded as being applicable to all types of baled forage crops.

(U.S. shippers of alfalfa and sudan-grass, however, have not yet expressed a desire to participate in the new program, primarily because their problems have been minimal.)

It was pointed out during the February negotiations that Japanese baled hay imports had to be strictly supervised because fodder bales, especially of the three forage crops about which the discussion centered, often harbor traces of prohibited plant material, such as wheat straw and agropyrons (certain perennial grasses), which serve as host plants for Hessian fly pupae, and cannot easily be removed from the hay.

Furthermore, it was noted that imported hays are often shipped inland to Japanese livestock producers, thereby heightening the danger of pest attacks against domestic crops.

As part of the agreement, each year an MAFF inspector will travel to the United States to conduct spot checks to ascertain that agreed-upon inspection and fumigation procedures have been followed.

Prior to his departure for the United States each year, the MAFF inspector will be notified by the U.S. Agricultural Counselor in Tokyo which U.S. producing areas and fumigation sites are to be visited. In the future, additional areas and sites may be incorporated into the program.

MAFF has agreed to allow entry into Japan of hay having a phosphine gas residue level of 0.1 part per million or less, a level recognized internationally as being safe.

The agreement is based on fumigation procedures developed by C. L. Storey and J. H. Hatchett, SEA-AR scientists; and H. S. Shirakawa and E. R. Stang of USDA's Animal and Plant Health Inspection Service. □

Brazil Fine-tuning Farm Policies To Fight Inflation, Expand Food Production

By James A. Truran

In an effort to fight Brazil's inflation and to boost output of basic foods and export crops, the recently inaugurated administration of President Figueiredo is refining a number of agricultural policies. In their present form, these have come under attack in the press and by some Government agencies

Changes have been suggested in several farm lending programs, in the minimum price program, and in the agricultural research and extension programs.

To effect these changes the Administration originally named as Minister of Agriculture Professor Antonio Delfim Netto, the man who was Brazil's Minister of Finance in 1968-74, the years of the country's so-called economic miracle.

(Since this article was written, Minister Delfim Netto has left the Ministry of Agriculture and has become the Minister of Planning. His former Secretary General, Amaury Stabile, has been named Minister of Agriculture. This appointment is not expected to change the general policy guidelines set forth here.)

The Ministers have acknowledged that first priority must go to increasing basic food availabilities. In the face of 2 years of drought-induced crop shortfalls, escalating food prices, and potential new demands from a proposed food assistance program, he plans to place greater dependence on small- and medium-scale farmers.

As an inducement to get them to up food production, the Ministry is reworking credit regulations to make it easier for them to apply for loans.

In the past, commercial farms, located primarily in the southern region of the country, have monopolized rural credit operations. Report-

edly, only about 28 percent of the country's farmers are using rural credit. Of the money loaned, 40 percent went to large-scale producers, yet their loans accounted for only 1.2 percent of the total number made. This is the trend the Government is trying to reverse.

In real terms, adjusted for inflation, Brazil's farm loan rates are extremely favorable. While the inflation rate in 1978 was 41 percent (compared with 39 percent in 1977), annual interest rates for farm loans made in 1978 ranged from 13 to 22 percent.

In the case of loans granted under special regional and sectoral development programs, interest rates were as low as 7 percent.

Loans for fertilizers were—and are—interest free.

In addition, credit terms sometimes are made especially attractive by banks that require farmers to make minimum seed capital outlays to be eligible for investment loans. Then too, banks often grant long grace periods before farmers must start to make repayments.

The PROAGRO program—receiving serious study in the Ministry of Agriculture—guarantees repayment to the bank of 80 percent of loans in the event that more than 52 percent of a farmer's anticipated production is ruined by natural disaster. The suggestion has been made that PROAGRO coverage be raised to 100 percent.

Special lines of credit are available to farmers through most Government agricultural and regional development programs, and these probably will receive Ministry scrutiny. Such programs include the Cerrados Development Program (POLOCENTRO) and the National Storage Program (PRONAZEM).

Another suggestion—one that has already been adopted—is to separate the calculations for the size of the loan under the production loan (custeio)

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program from the minimum price calculations. This would allow minimum prices to be used for their intended purpose of guaranteeing a return to the producer when market prices are low, rather than to determine what is to be planted.

Under the previous *custeio* program, a farmer applied at any Bank of Brazil office or at any other bank for a loan to cover his production costs.

The bank determined the size of the loan by multiplying the farmer's crop area by a regional yield factor times a sliding percentage of the minimum price. Applicants for small loans received 60 percent of the minimum price, while larger loans were figured at about 48 percent.

Production loans will now be based on a basic *custeio* value (VBC) calculated for each crop and based on yield factors. Farmers will be able to finance up to 100 percent of the VBC.

The minimum price program is controlled and administered by the Production Financing Commission (CFP) in the Ministry of Agriculture. The program currently covers about 45 commodities, notably excluding livestock and livestock products—although studies are underway to examine the feasibility of including these. Other important commodities not covered by the CFP include wheat—which comes under a special Bank of Brazil program—and sugar and coffee.

Production and export of these last two products are governed by their own institutes and programs. Cocoa has no explicit minimum price, although there is a national program designed to support producers, processors, and exporters.

The CFP has two basic tools to support minimum prices. The first is the Federal Government Loan Program (EGF), which permits a producer to hold his product (either in a Government specified warehouse or on his own farm) until prices reach remunerative levels.

The second is the Federal Government Acquisition Program (AGF), whereby the Government assumes ownership of commodities stored under EGF, but not claimed by the producer when the loan comes due.

The Government also uses the AGF at harvesttime in regions not having adequate storage facilities. Because harvest periods differ in the Center-South and the North-Northeast

regions, the Government maintains two separate minimum price programs.

Over the past few years, the procedure for setting minimum prices under these programs has become increasingly sophisticated. Cost of production, anticipated world market prices, and domestic requirements are the most important determinants.

A minor change also has been suggested in the timing of minimum price announcements. Under the present system, the announcement is made in July to set the price for the following year.

The proposed formula would establish the price for the 1979/80 crop and at the same time set an escalator formula to estimate the price of the 1980/81 crop. This would provide farmers with a longer timeframe on which to base investment and planting decisions, and would limit the year-to-year fluctuations in plantings.

These proposals and others circulating within the Ministry of Agriculture are designed to protect the small- and medium-scale operator from disastrous losses, as well as to protect their markets.

None of the suggested changes is radical in nature—such changes may come later in an overall review of the country's agricultural sector. But they do represent an immediate signal to farmers that the Government is standing behind them. The hope is that with this encouragement food production will spurt upward.

It is also a signal—although it may be overlooked in its present context—that the agricultural minister wants to reorient agriculture to market principles. Some observers are reading these signs as an indication that, with future stability of the domestic farm market assured, the Government will be able to gradually remove or reduce subsidies now being paid to help farmers keep pace with the rising cost of inputs.

Among the long-term goals of the Ministry of Agriculture is the rationalization of land-use patterns. Reportedly, this is to be done by reforming the tax system to encourage use of productive land currently lying idle, rather than by means of direct land reform and redistribution programs.

Other Ministry projects are aimed at improving the various agricultural regions of the country by refining current programs, or devising new ones.

At present, Ministry plans call for improvements to be made in:

- The south and southeast which, although geared to commercial production, needs more rural area storage units, more farm-to-market roads, larger planting of basic foods, and increased irrigation facilities;

- The northeast, where regional programs are underway to assist landless rural laborers acquire sufficient skills to enter the economic mainstream of the country, to increase irrigation, and to enlarge food plantings;

- The Cerrados, where some 20 percent of Brazil's farmland is located—much of it useless because it is overgrown with scrub trees and bushes. Financial and infrastructure needs still exist, although the region's major technical farming problems have been overcome; and

- The Amazon Basin, where the nature of the country makes rapid improvements impossible. Insufficient research into the ecology of the area makes a step-by-step approach necessary and it will be many years before the area is really opened up to farming.

The Brazilian Government is convinced that better and more intensive research programs are necessary if agriculture production is to be boosted by the degree set by the Government. As a result, it has given high priority to the Brazilian Agricultural Research Enterprise (EMBRAPA), which finances the operations of some 15 regional crop study centers. It also sponsors graduate level studies for researchers, both in Brazil and abroad.

Extension programs, formerly administered by a number of Government agencies, are now consolidated under the Brazilian Enterprise for Technical Assistance and Rural Extension (EMBRATER), a service organization founded in 1975. The Government's emphasis on these types of programs can be determined by the number of field workers it now employs. In 1977, the number was about 5,000, and it is probably considerably larger by now.

The aim of the Government credit and research program is to give agriculture a more centralized position in the economy. In the past, farm activities were relegated to a peripheral position as the Government concentrated its attention on industrial development. □

Spain Is Now The Largest Broiler Producer In Western Europe

By James Lopes

Spain's poultry industry has shown outstanding growth since the early 1960's as a result of rising consumer demand for its products and growth in the mixed feed industry.

Production of both broilers and eggs has grown rapidly; product quality is good; and consumers have benefited from lower prices vis-a-vis other livestock products. Commercial hatcheries have spread throughout the country. Modern processing plants dominate broiler meat production. Feedmills have been built, and these process increasing quantities of poultry feed each year.

One offshoot of this rapid expansion has been steady growth in demand for imported feed ingredients, such as feedgrains (mainly corn), soybeans (for crushing into meal), tallow, and other ingredients. The United States is the country's leading supplier of these products, and should continue to figure importantly in the trade picture—despite Spanish efforts to produce more feed ingredients.

Production Up Sharply

Last year, Spain's modernized poultry industry produced about six times as much poultry meat as in the early 1960's—nearly all from formula-fed poultry in large commercial enterprises. This contrasts with the barnyard flocks that predominated a few decades ago.

In 1978, over 500 million birds were slaughtered, producing about 755,000 tons of meat, compared with less than 118 million birds slaughtered and an average of 126,000 tons of meat during

1961-63. And another gain to 770,000 tons of meat is seen for 1979.

As a result of this growth, poultry meat now accounts for more than a third of Spain's total meat production, compared with slightly more than one-tenth in the early 1960's. It also was the leading meat produced between 1970 and 1977, being surpassed by pork in 1978. By comparison, production of beef and veal is only about three-fifths as large as that of poultry meat.

Such expansion also has moved Spain into fourth place among all poultry producers in Western Europe, and into the No. 1 position for broiler meat production.

The country's commercial broiler production began seriously in the early 1960's and by 1965 had reached 182,000 tons. It has grown at a rapid rate since then, hitting 670,000 tons in 1978, and heading toward 685,000 in 1979.

Spain's egg production almost tripled between 1960 and 1977, when it reached 906 million dozen. Production then dropped to 875 million dozen in 1978 as a result of oversupply and depressed prices in the previous year, but is expected to recover to 908 million dozen in 1979 in response to improved possibilities for egg exports.

A large part of the increase in Spanish egg production was brought about by a more than doubling of the number of layers—from 24 million in 1960 to nearly 49 million in 1978. However, a substantial improvement in productivity has also been evident.

Modernization of Spain's poultry industry took a big step forward in the early 1960's, when the country began to import U.S. breeding chicks. Since then, the number of select breeds and strains, mainly hybrids, has more than doubled. The Spanish have also upgraded their technical and managerial abilities in the poultry sector.

By 1978, over 80 percent of the eggs produced came from the commercial

flocks. The traditional barnyard flocks have about halved since 1964, to about 10 million head. According to a recent study, the average Spanish layer flock numbers about 11,000 birds, and the average broiler operation, about 14,000 birds.

The increase in the size of poultry operations has brought about a fairly high degree of automation in the Spanish poultry industry. Facilities with a capacity of over 10,000 birds are equipped with at least automatic feeding systems. Most of those having a capacity of over 30,000 birds are fully or almost fully automatic in the feeding, egg recovery, ventilation, and watering systems.

Some operations raise as many as 100,000 broilers under the supervision of a single person.

Production in both the broiler and layer industries is highly concentrated. For example, 20-25 percent of the Spanish broiler operations are said to account for 80-90 percent of total broiler production.

Concentration in the poultry industry has risen concurrently with the growth in the Spanish mixed feed industry. The major feed companies reportedly control a large part of the flocks through contractual relationships or direct ownership. In addition, firms engaged primarily in nonagricultural activities set up large poultry operations during the 1960's and have continued to expand. Currently, operations producing between 80 and 90 percent of the broilers and 60 percent of the eggs are under some form of vertical integration.

The rapid growth and modernization of Spain's poultry industry has been aided by the Government, which, in an attempt to improve nutrition, has been encouraging greater production of livestock products. The Agricultural Extension Service has been promoting local poultry cooperatives. These cooperatives buy feed and baby chicks and sell them to members to grow the broilers. Extension agents also give technical advice on poultry production to cooperative members. In addition the National Agricultural Research Institute (INIA) has been promoting genetic improvements in poultry.

Since 1965, the Government has maintained a system of guaranteed prices to producers and consumers. The General Supply Commission (CAT) buys and sells poultry meat and

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eggs whenever prices drop or rise to certain levels. Since March 28, 1963, the Government has been controlling imports of frozen poultry meat through an import licensing system. The Government also controls import of eggs through licensing.

Income, Prices, Availability Push up Demand

At the heart of this expansion has been the rapid rise in consumer demand for high-quality animal products.

Spanish per capita consumption of meat (including edible offals) more than tripled between 1960 and 1978, from 19.0 kilograms to about 66.0.

In the same period, per capita consumption of beef and veal more than doubled to 13.5 kilograms, and that of pork rose 2.5 times to nearly 21 kilograms.

But per capita consumption of poultry meat experienced the largest gain, rising nearly sixfold from slightly less than 3 kilograms in 1961 to about 21 in 1978. Spain's per capita poultry meat consumption thus exceeds that of the leading producers in Western Europe—for example, 15.2 kilograms in France and 15.6 in Italy in 1977.

Spain's per capita consumption of eggs has also risen—from about 6 kilograms in 1960 to 16.5 in 1977.

In Western Europe, Spanish egg consumption per capita in 1977 was second only to West Germany's 16.8 kilograms. It also is close to the 17 kilograms consumed per capita in the United States.

The growth in consumption of poultry meat and eggs has paralleled the improvement in incomes. Per capita gross domestic product (GDP) was \$3,855 in 1978, compared with roughly \$350 in the early 1960's. Greater purchasing power, combined with migration from rural areas to large cities, has caused a change in consumption patterns—away from carbohydrates to more protein in the form of beef, pork, poultry meat, and eggs.

Improved technology and mass-production techniques have enabled producers to market increased quantities of poultry meat and eggs at favorable prices. Smaller price increases for poultry meat and eggs relative to other meats, in turn, have led to greater consumption of poultry products at the

expense of red meat.

Poultry meat prices have increased just over 40 percent since 1955, while prices for beef and pork rose 430 and 303 percent, respectively.

In September 1978, the retail price of broiler meat was 111 pesetas per kilogram—about one-third the 336 pesetas for beef and less than one-fourth the 488 pesetas for lamb. Pork prices since 1955 have risen about three times as fast as poultry meat prices, but at 153 pesetas per kilogram, compare more favorably with broiler meat than do other meats.

Another factor behind the rapid increase in poultry meat consumption has been the greater availability of poultry meat and eggs resulting from better distribution.

Poultry marketing has undergone drastic changes. The sale of ready-to-cook broilers in supermarkets and specialized stores and that of take-away roasted broilers in food-service establishments is a part of the everyday pattern of city life. Even in rural areas, many consumers buy slaughtered poultry directly from processors.

Distribution of eggs has typically been through brokers, who still account for half of the eggs sold to retailers. However, direct sales to wholesalers and retailers are beginning to squeeze out brokers.

Import-Export Situation

Since the early 1960's, Spain's poultry industry has changed from a mini-industry unable to supply the country's low levels of consumption, to an industry capable of meeting most of the current high levels of consumption, plus some export demand.

Spain is now a significant net exporter of eggs and some poultry meat, although meat imports are substantially larger than exports. Countries in North Africa and the Near East have been the main markets. Poultry meat imports (mainly by the Canary Islands) for the large tourist trade pushed value of Spain's poultry meat imports to a high of \$12.7 million in 1978. In addition, Spain traditionally imports eggs for hatching, although in 1978 it was also a net exporter in this category and has been a net exporter of baby chicks since the early 1970's.

Production of boilers and eggs, along with increased production of other livestock products, has caused a

"market pull" for mixed feeds. It also has led to a dramatic change in the mixed feed industry from a rudimentary, infant operation to a highly specialized \$2-billion business (see *Foreign Agriculture*, May 5, 1978).

Mixed feed production has risen from about 3.1 million tons in the mid-1960's to more than 11 million in 1978. Far the largest share of this has gone to the poultry industry, which last year used 5.8 million tons, or 53 percent, of the total.

During 1960-78, total domestic consumption of coarse grains climbed from slightly less than 4 million tons to nearly 15 million, while domestic production of coarse grains rose from 3.4 million tons to nearly 11 million.

Oilseed meal requirements have almost tripled since the mid-1960's, to 2.4 million tons in 1978. Meal production from domestic oilseeds increased at about the same rate, but totaled only 220,000 tons in 1978, or less than 10 percent of consumption.

Thus, Spain's production of feed ingredients, while expanding rapidly, has not kept pace with burgeoning demand. As a result, the mixed feed industry has become more reliant on imports for substantial quantities of feedgrains, mainly corn; virtually all the soybeans crushed for meal; and various other feed ingredients.

In 1978, Spain imported about 4.8 million tons of coarse grains (mainly corn), around 2.2 million tons of oilseeds (nearly all soybeans), and 485,000 tons of vegetable protein meals (nearly all soybean meal).

Spain's imports of U.S. feedstuffs in the same year approached 3 million tons of coarse grains, 1.7 million of soybeans, and 322,600 of soybean meal. Spain also has imported large quantities of U.S. tallow—in 1978, about 40,000 tons valued at \$18.6 million—a large part of which is utilized in the mixed feed industry.

Imports for the mixed feed industry account for a large share of Spain's total imports and often raise the question of whether livestock expansion, partly based on imported feeds, is justified.

The alternative would be larger imports of livestock products. However, some Spanish studies have indicated that to maintain the same level of livestock consumption, imports of livestock products (1973 trade data) would have to cost 25 to 30 billion pesetas (\$365-\$440 million) more than

the imports of feeds. To this must be added the benefits that Spain would forego resulting from the contribution of the livestock sector to the value of agricultural production and increased employment.

Future growth in Spain's poultry industry hinges on further increases in consumption of poultry products.

One official publication indicates a possible per capita consumption of 30 kilograms of poultry meat and 350 eggs (20.6 kg) in the near future—increases of about 42 and 24 percent, respectively, over the 1978 levels. But, while poultry meat probably will continue to be more favorably priced than other meats, such consumption estimates could prove somewhat optimistic. In fact, the point of saturation, particularly by high-income groups, could be reached relatively soon.

The rate of increase in per capita demand for poultry has already begun to slow, from an average of 3.9 percent during 1970-75 to about 2.4 percent in the past 3 years.

Still, even a slower rate of increase in per capita consumption of poultry meat and eggs, when added to the 0.8 percent annual population growth, means continued growth in demand for poultry meat and eggs. Since the country is expected to remain virtually self-sufficient in both products and a sizable exporter of eggs, such growth would mean significant expansion in the Spanish poultry industry.

The Spanish Government no doubt will make every effort to reduce imports of feed ingredients by encouraging greater domestic production of corn and other feeds, as well as by promoting greater use of nongrain feeds. However, chances for increased feed production appear limited. Spain is not blessed with climatic conditions and soils suitable for production of soybeans and corn, and a shift in resources to the output of these crops will be at the expense of other crops such as vegetables, sugarbeets, sunflowerseed, and cotton.

Moreover, sharp increases in additional irrigated land for corn and soybeans are unlikely, owing to the high cost of irrigating land and competition from other crops.

Thus, growth in Spain's mixed feed production resulting from greater demand for poultry meat and other livestock products will continue to require expanding imports of feed ingredients. □

Malaysia Still World's Top Palm Oil Exporter

Area Growth May Slow Slightly



Malaysia was again the world's leading producer and exporter of palm oil in 1978 and will again be No. 1 in 1979, despite some indications that area growth is slowing.

Malaysia's area under oil palm has increased steadily for the past several years, but its exports of crude palm oil have declined steadily, to be replaced by larger exports of refined palm oil. With a few notable exceptions, most of its crude palm oil markets reduced their takings in 1978. However, most of the same countries boosted their purchases of refined palm oil.

Palm oil production has top priority in all Government land schemes. However, the oil palm area growth trend may flatten somewhat as small areas of land available for palm planting are returned to rubber instead.

Malaysia is already the world's most important rubber producer but wants to increase production to capitalize on a projected 500,000 metric ton world natural rubber shortfall expected in the early 1980's.

Malaysia's Land and Regional Development Minister has again called for expansion of rubber production in light of the growing demand for this commodity. Despite regional favorable prices for rubber in recent years, rubber area has been stagnant, while palm oil area has grown rapidly. Rubber estate area has fallen significantly. In fact, it has been only through Government smallholder programs that rubber area has been maintained.

In 1978, Malaysia's drive to strengthen the country's palm oil refining capacity again paid off as it boosted its exports of processed palm oil to a record.

Production of processed palm oil is expected to continue to increase strongly in 1979 as another five palm oil refineries are expected to come on line, bringing the total to 32. One existing plant was expected to triple its capacity in mid-1979.

Based on current capacities, 1979 production of refined palm oil is ex-

pected to climb by 43 percent to about 1.5 million tons, from 1.05 million tons in 1978.

Crude palm oil exports are expected to hit 570,000 tons in 1979, compared with 573,000 in 1978 and 985,000 tons in 1975.

Exports of refined palm oil (including palm olein, palm stearin, and palm oil acid) are seen reaching 1.4 million tons, about 400,000 tons higher than in 1978 and nearly 1.2 million tons greater than in 1975.

The rapid development of the Malaysian palm oil processing industry enabled Peninsular Malaysia to expand its exports of processed palm oil (including refined palm oil, palm olein, palm stearin, and palm oil acid) from 726,000 tons in 1977 to 935,000 tons in 1978. At the same time, its exports of crude palm oil fell from 557,500 tons to 429,700 tons.

With the exception of India and the United Kingdom, all of Malaysia's important traditional buyers of crude palm oil cut their purchases in 1978. Exports to the Netherlands declined

by 69.7 percent to 131,000 tons and to the United States by 4.3 percent to 33,000 tons. Shipments to the United Kingdom rose by 3.6 percent to 176,000 tons. India's purchases were 83 percent higher at 76,000 tons.

The United States was the one major importer of Malaysian processed palm oil that did not increase its takings of this commodity. Instead, it cut its purchases by about half—from 127,982 tons in 1977 to 78,800 tons in 1978.

India continued to be Malaysia's most active market for processed palm oil, taking 256,000 tons in 1978, compared with 160,000 tons in 1977 and only 31 tons in 1976. Exports to the Soviet Union and Pakistan rose markedly between 1977 and 1978: USSR purchases were up from 2,500 tons to 22,400 tons, and Pakistan's from 1,600 tons to 65,100 tons.

Palm kernel production also rose in 1976, although—because the kernels had a particularly low oil content—palm kernel oil output was down. Strong demand in Malaysia's export

markets had caused Malaysia to boost its crushing activities, but the result was an outturn slightly less than that of the year before.

Palm kernel oil output was 142,000 tons in 1977; 141,000 tons in 1978; and an estimated 164,000 tons in 1979.

Malaysia's exports of palm kernel oil in 1978—at 129,000 tons—were 23.4 percent greater than that from the 1977 drought-damaged crop. In 1979, exports may reach 144,000 tons.

The United States remained the largest purchaser of Malaysia's palm kernel oil, increasing its takings by 63 percent to 51,217 tons. Exports to the Netherlands and the United Kingdom were mixed: up 19 percent to 28,000 tons in the case of the Netherlands and down 28 percent to 13,000 tons for the United Kingdom.

Exports to Canada expanded to 6,900 tons from 2,900 tons in 1977, while Japan pushed its purchases from 800 tons to 6,100 tons.—Based on report by Robert J. Svec, U.S. Agricultural Attaché, Kuala Lumpur. □

Smallholder Aid Programs May Help Malaysian Copra Growers

Malaysia's coconut growers—especially smallholders—have seen less than happy times in recent years, even though 1978 exports of coconut oil (crude equivalent) were up markedly. Government programs are being initiated that will benefit smallholder growers and may have a lasting effect on coconut production.

One of these programs has as its goal the boosting of annual incomes of 19,200 coconut growers with 5 hectares or less from the current average of US\$850 to more than \$1,800.

Under the program, 7,000 hectares of existing groves are to be replanted with hybrid seed and an additional 18,000 hectares revitalized. It also calls for 9,000 hectares to be intercropped with cocoa, 3,500 with coffee, and 1,500 with other crops.

The Malaysian coconut industry has declined in importance for a number of years as large tracts of estate lands

were converted to cultivation of oil palm.

Area under coconuts in 1978 is estimated at 337,000 hectares.

Peninsular Malaysia accounted for about 235,000 hectares, 93 percent of which was controlled by smallholders. About 103,000 hectares were under cultivation in Sabah and Sarawak.

Malaysia's production of copra—at 207,000 tons in 1978—is estimated to be 5 percent lower than 1977's 218,000 tons, but is expected to recover to an estimated 210,000 tons in 1979.

To meet the needs of its coconut mills, Malaysia imported about 18,000 tons of copra from neighboring countries in 1978. Still its production of coconut oil was expected to be 3 percent lower in 1978—dropping from 1977's 113,000 tons to 110,000 tons in 1978—but is seen rising to 115,000 tons in 1979.

In contrast to the sharp drop in 1977,

tight supplies in a number of other copra and coconut oil producing and exporting countries enabled Malaysia to boost its exports of coconut oil (crude equivalent) by an estimated 51 percent to 41,500 tons in 1978. Peninsular Malaysia accounted for about 94.7 percent of the total, with the remainder coming from Sabah and Sarawak.

While the Peninsula's 1978 crude coconut oil exports dipped by 4 percent to 20,871 tons, its exports of refined oil rose strongly from 3,800 tons in 1977 to 18,000 tons in 1978.

The bulk of the crude coconut oil was shipped to Singapore, Bangladesh, and India. Singapore also was the most important market for Malaysia's refined coconut oil shipments boosting its purchases from 1,640 tons in 1977 to 16,200 tons in 1978. Much of Singapore's imported coconut oil was for reexport. □

Indian Grain Shortfall Points To Stock Drawdown . . . Imports?

The worst drought since 1965 has dimmed prospects for grain production in India this season, while again raising questions about the country's ability to maintain self-sufficiency in grain.

At the currently estimated level of between 105 and 112 million metric tons, the 1979/80 crop would be 16 to 20 percent under last season's record. Furthermore, it is coinciding with an uptrend in consumption that may leave new-crop supplies some 16 to 25 million tons short of expected domestic requirements—a level that could be bridged by release of Government stocks but also could eventually trigger consideration of imports.

The possibility of imports is further increased by the moderate gains in purchasing power of Indian consumers, compared with a few years ago, and the \$7 billion in foreign exchange reserves now held by India.

At times an importer of more than 10 million metric tons of foodgrains a year, India became self-sufficient in grains in late 1977. By 1978, its position was sufficiently strong to allow exports of wheat—largely as repayment in kind of wheat imported from the USSR—and of rice.

Three record crops in 4 years—culminating in the 1978/79 record of 130.5 million tons—had allowed India to build Government-held grain reserves to comfortable levels. As of August 1979, stocks still stood at an impressive 21 million tons, including almost 12 million of wheat and 9 million of rice.

These large reserves are somewhat deceptive, however, since they do not reflect the total stock position. At one time, the private trade held considerable reserves, not easily quantified, whereas in recent years the Government has assumed primary responsibility for stockpiling. Moreover, household stocks, apparently reduced during the past 2 years of abundance, are expected to be replenished as Indian consumers react to the crop shortfalls.

India's current difficulties began with this year's summer monsoon—crucial to kharif crops of rice and coarse grains harvested during September-December. Rainfall during the monsoon averaged only 73 percent of normal—the smallest amount since 1965 and one of the lowest levels in the past 3 decades.

The most seriously affected area appears to be a 200-mile-wide strip in central India, extending from New Delhi to the Bay of Bengal. Some villages here have reported almost no rain for the last several months and, consequently, sharp reductions in yields of rice, coarse grains, pulses, cotton, sugar, and vegetables.

The increased use of irrigation—double that of 5 years ago—may have softened the impact of drought. But even here problems have arisen because of shortages of diesel fuel and electricity needed to power water pumps.

Availability of these inputs will be especially critical in coming months during planting of the heavily irrigated crops of winter wheat.

Indicative of the rice crop's deterioration was the reduction in estimates by the U.S. Agricultural

Counselor in New Delhi—from a range of 46-50 million tons in August to about 43 million in early October. This is almost 11 million tons less than the 53.8 million tons harvested last season, with a chance of final results coming in still lower as a result of further crop damage.

Hardest hit of India's rice-producing States were Uttar Pradesh, Bihar, Madhya Pradesh, Andhra Pradesh, and Orissa, while West Bengal apparently came through the drought in relatively good condition. The problem there is that rural residents in famine areas of Bihar and Andhra Pradesh may flock to West Bengal's capital, Calcutta, in search of work and food.

Production of coarse grains may have declined 14 percent or more from the 1978/79 level to an estimated 25.8 million tons, with sharp setbacks again in Uttar Pradesh, Madhya Pradesh, and Andhra Pradesh. In the fertile Gangetic Plain, crops have been struck by unfavorable weather for the second straight year—first flooding last season and now drought.

Wheat, planted in the winter and harvested in the spring, was relatively unscathed. The 1979 crop is estimated at 30-33 million tons, compared with a record 34.7 million last year and 31.3 million in 1977. However, output could be affected next season if planting conditions remain unfavorable.

Pulses have suffered from drought in certain nonirrigated areas of central India's, and their outturn may fall some 2 million tons below early season expectations. The total pulse crop is forecast some 20 percent below last season's level of 12 million tons.

Indian foodgrain consumption, on the other hand, is forecast to rise to 128-130 million tons this season from 125-127 million in 1978/79. Rising affluence has enabled consumers to increase consumption, while fear of impending shortages could conceivably spark some rebuilding of household stocks.

This tendency to keep large household stocks apparently fell off during the past 2 years, as large Government reserves and price controls eliminated the need for such activity. The 1979 drought has erased some of that complacency, while other factors also are contributing to consumption gains.

The Government's Food for Work programs, for instance, could release about 5 million tons of grain for consumption in 1979/80, or 3.5 million tons more than in 1978/79.

Needless to say, Government procurements of grain will suffer as a result of the drought and rising consumption trends, although some buffer has been provided by the record procurements of wheat this year. These procurements, at about \$140 per ton, reached 8 million tons in 1979, compared with about 5.5 million in 1978. Rice procurements during 1978/79 were about 6 million tons—up from 4.6 million the previous year—but will probably decline considerably in 1979/80.—By John B. Parker, Jr.; Economics, Statistics, and Cooperatives Service. □

Opening of Trade Office In Miami Is a 'First'

The first of a worldwide network of U.S. agricultural trade offices authorized by Congress last year opened recently in Miami, Fla. The office, one of six to be established this year under the Agricultural Trade Act of 1978, will be a focal point for export sales promotion throughout Central America and the northern Caribbean trade area.

That area, including Mexico, accounted for \$1.5 billion in U.S. farm product exports last year and is regarded as a good growth market for American farmers, remarked FAS Administrator Thomas R. Hughes at the office's opening day on September 28.

The Miami office is the only one of the new offices to be located in the United States.

Congress last year authorized creation of between six and 25 agri-

cultural trade offices in the most important trade regions of the world. Besides the Miami office, additional trade offices will be established this year in Singapore; Seoul, Korea; Hamburg, West Germany; Warsaw, Poland; and Bahrain on the Persian Gulf. An agricultural trade office in London, established under other authority, has been in operation since May 1978.

Purpose of the new offices is to aid U.S. agricultural export efforts in major market areas by providing assistance to U.S. individuals, co-operatives, and firms exporting or seeking to export agricultural commodities. They will also provide a point of contact for importers seeking to buy farm products in the United States.

The office also will assist private

associations that work with FAS as market development cooperators. Forty-six of these nonprofit groups, organized on a commodity basis, are now working in foreign countries under continuing contracts with FAS.

Hughes said U.S. agricultural trade has become a mainstay in the international economic position of the United States, with farm product exports in fiscal 1979 estimated at \$32 billion compared with \$27.3 billion the preceding year. In this decade, agricultural exports have more than doubled in volume and increased five-fold in value, he said.

Hughes said U.S. agricultural exports are expected to continue their rise in fiscal 1980, with a projected export value in the range of \$35-\$40 billion. With imports of \$16-\$19 billion, the agricultural trade surplus could increase to about \$20 billion, compared with \$15.7 billion estimated for fiscal 1979, Hughes said.

The Miami office is located in the University Federal Building, Suite 305, 222 Ponce de Leon Road, Coral Gables. Also participating in the opening ceremonies were U.S. Representative E. de la Garza of Texas, Commissioner Doyle Conner of the Florida Department of Agriculture and Consumer Services, and the director of the new trade office, George R. Delgado.

Before his appointment as agricultural trade officer in Miami, Delgado was a commodity industry specialist in the Domestic and International Business Administration, U.S. Department of Commerce, where in 1978, he won that department's bronze medal for outstanding performance. He has experience in international trade and transportation. □



Opening day drew wide representation from U.S. and Florida Governments, trade, and media as shown in photos above and far right. In two center photos: cutting ribbon is Rep. de la Garza, flanked by Commissioner Connor (left) and FAS Administrator Hughes; Connor presents antique map of Caribbean to Delgado.

Agricultural Exports:

The U.S. Stake

- Exports have expanded U.S. agriculture's markets and helped farm income.
- Exports have encouraged efficiencies in production and helped to hold down consumers' food costs.
- Exports have contributed to the balance of payments and thereby reduced the cost of imports for U.S. consumers.
- Exports have reduced the costs of Government support programs for agriculture, thereby reducing budget expenditures.
- Exports have stimulated off-farm employment and increased nonfarm income.
- Exports have benefited customer nations and strengthened U.S. foreign policy.

Exports: Essential to Modern Agriculture

In this decade, U.S. agricultural exports have doubled in volume and increased fivefold in value. Returns from exports this year will represent at least one-fifth of the approximately \$130 billion realized by farmers as cash receipts from marketing. The percentage contribution of exports to cash receipts from marketing has doubled in this decade—from 11 percent in the early 1970's to a range of 20 to 22 percent in each of the last 5 years.

Exports have been capitalized into the U.S. farm production system—with land, machinery, and mortgage debt geared to a high level of foreign demand. Farmers depend on foreign markets as an outlet for the harvest of one out of every three harvested acres—about 110 million acres this year compared with 72 million in 1970. If we were exporting at the 1970 level, some 40 million acres would have to find other uses—with attendant income loss, increased Federal costs, or some combination of the two. If we did not export at all, we would have to find a home for more than 100 million acres.

Efficient Farming Helps Consumers

Foreign markets enable U.S. farmers to use their land and machinery efficiently. U.S. farmers will export 66 percent of their 1979 wheat crop, 61 percent of their rice, 50 percent of their soybeans, 44 percent of their cotton, and 35 percent of their corn. It is clear that the domestic market cannot absorb this excess production capacity. If production had to be reduced to the level of domestic demand, farmers would necessarily allocate fixed costs to the remaining output. This would increase unit costs substantially. Thus, in the absence of Government support of farm incomes, these higher production costs would ultimately be passed on to consumers. Exports therefore contribute to the fact that U.S. citizens pay relatively less for food than any other country in

the world. Only 17 percent of private consumption expenditures in the United States are for food, beverages, and tobacco.

Farm Exports Reduce Taxpayer Costs

Exports bolster farm prices and thereby reduce or eliminate deficiency payments to supported commodities. In 1979 acreage set-aside and diversion programs were in use for wheat and feedgrains, with 22 million acres signed up for idling. Without exports to support prices the Government would be required either to (1) purchase and store excess

U.S. Farm Exports and Farmer Returns in the Seventies

(In billion dollars)

Year	Cash receipts from farm marketing— calendar	Agricul- tural exports— fiscal ¹	Net income from farming— calendar
1970	54.3	7.0	14.2
1971	56.0	8.0	14.6
1972	65.2	8.2	18.7
1973	89.7	15.0	33.3
1974	93.2	21.6	26.5
1975	90.4	21.9	35.6
1976	94.8	22.8	18.7
1977	95.7	24.0	19.8
1978	111.0	27.3	27.9
1979	² 125-132	32.0	30-34

¹ Agricultural export values include marketing and transportation costs not returned as cash receipts to farmers. This margin is variously estimated between 18 and 20 percent. ² Projected.

supplies or to (2) idle more productive land.

For the first 5 years of this decade (1970-74), U.S. farm program costs totaled \$13.9 billion. In the past 5 years, these costs fell almost by half—to \$7.3 billion for 1975 through 1979.

Farm Trade and the U.S. Payments Account

Agricultural trade has contributed a surplus of more than \$10 billion to the U.S. trade account in each of the last 6 years. U.S. agricultural exports have added stability to the dollar and strengthened the U.S. trade account in a period when nonagricultural exports have been continuously in deficit and high prices for imported oil are making heavy demands on U.S. foreign exchange. Without the contribution of U.S. agriculture, the dollar would decline further and imports would be even more expensive.

Farm Trade and Foreign Relations

Exports are important to millions of people in other countries who depend on U.S. farm products to sustain life in some cases, and to maintain or improve standards of living in others. In the year ended Sept. 30, 45 percent of the world trade in wheat and 64 percent of the trade in coarse grains came from the United States.

Since P.L. 480 (Food for Peace) was enacted in 1954, the United States has provided some \$30 billion in food aid to needy nations. For 25 years, the annual value of food aid has ranged between \$1.0 billion and \$2.0 billion, a rather narrow band, while total exports have multiplied tenfold. Whereas aid in the 1950's constituted one-third of total U.S. agricultural exports, the proportion has shrunk to less than 5 percent in recent years. As developing countries have expanded purchasing power, they increasingly have come to the United States for commercial purchases. About one-third of U.S.

farm product exports now go to developing countries, and those shipments are 85 percent commercial.

Even in the short term, U.S. exports of farm commodities are anti-inflationary. Supply has generally kept pace with demand. It can reasonably be assumed that exported commodities would not be produced unless an export market existed for them. In the seven years prior to 1979, world imports of grains averaged 48 million tons above the average of the preceding 7 years, and about 77 percent of that growth was supplied by U.S. agriculture. In the same period, U.S. production of wheat and feedgrains was up by an average 42 million tons, and all but 5 million tons of that increase went to meet increased export demand.

Farm Exports Create Nonfarm Jobs

According to an ESCS input/output model, each dollar of agricultural exports stimulates an additional 96 cents of output in the U.S. economy—a multiplier effect of almost two. About 70 percent of the additional economic activity accrues to nonfarm sectors of the economy. About 1.2 million full-time civilian jobs are related to U.S. agricultural exports. Of this total, around a half million U.S. farm-workers, or nearly one-sixth of the total U.S. farm labor force, are required to produce U.S. agricultural exports. U.S. farm products move over many thousands of roads, rails, and waterways—through more than 35 ports to about 100 countries. Shipping exceeds 130 million tons a year. Jobs are generated all along the way.

To those who eat it, food sold for dollars is no less important than food shipped under aid programs. Moreover, the shift toward a high proportion of commercial sales is a healthy trend for both supplier and users. Agricultural exports, while not considered a tool of foreign policy, have succeeded in opening doors and improving relationships with other nations.

Growing U.S. Export Capability Reflected In Trade With USSR

The changing role of exports in the U.S. agricultural economy is well illustrated in the developing grain trade with the Soviet Union. On October 3, at the regular semi-annual consultation in Washington, U.S. and USSR officials agreed that the supply level for U.S. wheat and corn under the 1975 grains agreement could be up to 25 million tons for the year beginning October 1, 1979. Actual sales the past 2 years have been near the 15-million-ton level.

The new supply level takes into account current U.S. supplies and export availabilities as well as anticipated USSR import requirements for the 1979/80 season. The actual volume of purchases will depend upon progress of shipments, possible logistical problems, market conditions, weather, and other factors.

It was indicated that the new supply level and the anticipated increase in shipments to the USSR this season are expected to have little or no significant impact on the general level of grain prices, since world markets have already recognized a probable rise in world trade and

USSR imports from all origins in the year ahead. But if the volume were to reach the full amount of the newly agreed supply level, supplies on hand in the United States will be adequate to meet other anticipated domestic and export requirements and maintain sufficient carryover into the 1980-81 season.

The table summarizes grain supply and use for the 3 years ending in 1979/80 and for 2 other large export years in this decade.

U.S. Grains: Supply/Use in Selected Years

(In million tons)

Marketing year	U.S. supply	U.S. consumption	Total U.S. exports	Exports to USSR	Ending stocks
1972/73	297.3	179.9	70.2	14.1	48.0
1975/76	270.1	153.2	82.0	14.4	35.4
1977/78	319.5	159.8	86.9	14.6	73.3
1978/79	340.3	176.1	93.8	115.7	70.5
1979/80	349.8	180.3	109.3	225.0	60.4

NOTE: Includes wheat, rye, corn, sorghum, oats, and barley; amounts represent aggregates of marketing years: Oct.-Sept. for corn and sorghum; and June-May for other grains, except all exports on Oct.-Sept. U.S.-USSR agreement year.

¹ Reported sales as of September 30. ² Agreed supply level, not actual purchases.

Australia

Agricultural Exports Continue Last Year's Strong Showing

Australia had a good agricultural export year in 1978/79 (July-June) and is expected to have another good one in 1979/80.

However, despite an effort by the Government to reduce the budget deficit, inflation will probably increase above last year's 8 percent and the nonstimulative fiscal 1980 budget (presented this August) will lead to unemployment higher than the current 6-7 percent level.

Agricultural import costs, particularly for energy, will continue to rise.

In 1978/79 Australia's meat production remained high, although about 3.5 percent lower than in the preceding year. However, higher meat prices raised value of output 13 percent.

Australia is one of six countries authorized to increase meat shipments to the United States in 1979 to make up for a 56-million pound shortfall in Mexican shipments. Australia's allocation under the U.S. Meat Import Act of 1964 was increased by 34.3 million pounds; the other countries were allowed allocation increases totaling 21.7 million pounds. (See article on Mexican livestock industry.)

Good weather in 1978/79

raised Australian crop output to a record level and the value of production rose by 50 percent to \$A9,850 million, up from the previous year's \$A6,556 million.

Total value of most agricultural exports is expected to rise in 1979/80.

Even with a modest grain crop in 1979/80, Australia will have adequate supplies of wheat to supply traditional markets during the coming year. If the crop reaches 15 million tons, total availability would be about 22 million tons, which could cause storage problems.

Already, grain handling authorities are making arrangements for increased farm storage, and offering payments to farmers to hold wheat for the first few months after the harvest. The New South Wales Grain Elevator Board is proposing a reduction in the handling charge of \$A2 per ton for farm storage of up to 2 months after harvest.

Beef production will be down about 20 percent, mutton production by about 10 percent, but lamb production will be up about 8 percent. However, export prices have risen and the value of meat exports is expected to increase slightly over last year's.

Australia's exports and foreign trade balance are heavily dependent upon the performance of the rural sector. However, although agriculture will remain one of the largest earners of

foreign exchange, exports of coal and other minerals are winning a larger share of total exports.—Based on report from Brice K. Meeker, U.S. Agricultural Attaché, Canberra. □



A ram sale in Canberra, Australia.

Mexico

Livestock Producers Face Many Problems, Including Export Ban

Mexico's meat and livestock sector is faced with a number of problems, including an embargo on the export of domestically produced cattle or meat, and Government policies aimed at depressing meat prices. These problems are further compounded by countrywide transportation disruptions, causing feed shortages, and difficulties in

marketing livestock.

Then, too, recent abnormally dry weather has damaged pastures, especially in central Mexico.

With the strong demand for beef in Mexico but lower domestic production, beef prices in that country increased sharply this year compared with 1978 levels. These increases, combined with pesticide residue problems in Mexico's beef

exports to the United States, have resulted in a ban on meat shipments to this country, which has been in effect since January of this year.

With this ban still in effect, it recently became apparent that Mexico would not be able to meet its allocation under the U.S. meat import program. As a result, the U.S. and Mexican Governments in early September agreed to a reduction in Mexico's voluntary restraint level from 76 million pounds to 20 million.

The 56-million-pound shortfall from the Mexican allocation was reallocated to six other meat-producing countries—Australia, Costa Rica, Haiti, Honduras, New Zealand, and Nicaragua—all of which have indicated they have the capacity to ship the extra volume. Reallocations ranged from highs of 34.3 million pounds for Australia and 14.1 million for New Zealand to a low of 100,000 pounds for Haiti.

The amount of the reallocations received by each country was based on its initial 1979 program share.

For some time Mexican officials have believed that too many cattle were exported or slaughtered to supply the export meat market and that the country is now paying for this mistake with high meat prices. To slow the movement of cattle and meat out of the country, and because of some chemical residue problems, the Government established a "quarantine" line to keep cattle from being shipped from populated areas to northern pastures, from where the movement over the border into the United States would be a simple one.

Mexican exports of feeder cattle for the January-July period are well below last year's level, owing to the Mexican export embargo.

Nonetheless, U.S. import statistics show 125,043 head entered the United States during the period despite the embargo. These cattle, however, were exported under contracts negotiated before the ban was imposed and were not affected by it.

Mexican beef exports to Japan—made under so-called Maquila trade arrangements, which are not affected by Mexico's export ban—have picked up some from those made earlier in the year, but the total is still behind last year's level.

(Maquila trade is the name generally applied to exports of meat from the slaughter of imported cattle.)

Estimated shipments to Japan for the entire year are expected to reach 800 tons.

Low milk prices and high costs are seriously constraining dairy production, which probably means producers will import fewer dairy breeding animals in 1979. Interest in upgrading dairy herds is high, however, and imports would probably pick up if the Government raises milk prices.

Mexico's cattle slaughter was reportedly at a lower level than last year's, and the total for 1979 is now forecast at 6.05 million head, down slightly from the previous estimate.

Hog slaughter is expected to be slightly higher than last year's and is currently projected at about 6.1 million head.

Prices for slaughter cattle were more than 50 percent higher toward the middle of 1979 than those of the previous year, while hog prices stabilized at about the same level as those of a year earlier.

Exports of pork during the January-May period totaled 282 tons, 21 percent lower than last year's.—Based on report by Paul A. Drazek, Assistant U.S. Agricultural Attaché, Mexico City. □

Argentina

Bumper Wheat and Soybean Crops Help Push Grain and Oilseed Exports to Near Record



Grain drying facility in Argentina.

Argentina's substantial wheat and soybean production not only has overcome shortfalls in output of other grains and oilseeds, but has also helped to push their exports to a near record.

Grain and oilseed outturn for the just completed 1978/79 production year is estimated at 32 million tons, 3 million tons greater than in 1977/78, when the wheat crop was below normal levels.

Increases of over 50 percent in wheat and 40 percent in soybean output more than made up for declines in corn (down 7 percent), grain

sorghum (-10 percent), sunflowerseed (-16 percent), and flaxseed (-26 percent).

As a result of the gain in total grain and oilseed production, and because domestic consumption has been relatively stable in recent years, Argentina's grain and oilseed exports for the 1979/80 marketing year may climb by an amount about equal to the production increase. On a calendar year basis, grain exports are estimated in 1979 at between 13.2 and 13.5 million tons, the second largest volume on record, surpassed only by that of 1977, following an ex-

ceptionally large wheat harvest.

By mid-1979, 9.2 million tons of grain had been shipped by Argentina—not a record level but still high by historic standards. In addition, there were exportable supplies of 3 million tons of soybeans, about 50 percent above last year's level.

Near-record sales of 1.3 million tons of Argentine wheat were made to Brazil for the December 1979-November 1980 marketing year, which makes Brazil Argentina's largest wheat customer. The People's Republic of China was the second largest buyer of wheat—taking 885,000 tons after a year in which no purchases were made.

Other countries with centrally planned economies continued in 1979/80 to be important customers for Argentine grain, including the Soviet Union, which took larger-than-normal corn shipments during the first half of the year. Corn exports to Spain—at 1.15 million tons—also were running ahead of last year's.

Corn shipments to Italy, at 920,000 tons, also were above the previous year's.

Argentina's sorghum shipments to Japan (1.47 million tons) were about 9 percent above those of January-June 1978.

Soybean exports by midyear were 1.42 million tons, a figure 120 percent over last year's level. About

88 percent of these shipments went to Western Europe and more than half of this regional total was accounted for by shipments to the Netherlands.

Argentina's other oilseed exports were minor compared with soybeans because they are mostly processed for domestic consumption and for export as oilseed products.

A much improved marketing system centered at river and ocean ports was largely responsible for the large oilseed and grain shipments in May and June 1979 (over 2.6 million tons each month). New Government policies have resulted in a more orderly flow from farm to port.

These policies encourage exporters to call for grains only as needed. The Government also has created a payment plan under which farmers receive cash advances on their crops before actually transporting them to the ports. In recent years, farmers have had to line up at port elevators following harvest in order to receive payment.

Other problems that have tended to reduce exports in past years also seem to have been overcome—e.g., labor unrest has all but disappeared and the water level in the Paraná River is higher.—By Myles J. Mielke; Economics, Statistics, and Cooperatives Service. □

Japan

Meat Imports Up as U.S. Market Share Gains Sharply

Japan's imports of beef and pork climbed sharply during January-June 1979, despite continued expansion in domestic production and a shift toward larger producer operations. During the opening 6 months of this year, the U.S. share of both the beef and pork markets in Japan rose sharply, with the United States capturing the top spot in the pork market, edging out Denmark.

Although the livestock census of February 1, 1979, showed across-the-board increases, the number of livestock producers continues to decline. Beef producers were down from the year earlier by 5.2 percent to 380,000—with an average of 5.5 head per producer, up 8.3 percent from the year earlier.

The number of dairy pro-

ducers dropped 4.7 percent to 123,300, with an average herd of 16.8 head, up 9.6 percent. The number of swine producers fell 5.4 percent, with each producer averaging 60.7 head, up 14.2 percent.

This shift toward "fewer but larger" operations has been favored by stable-to-lower feed prices over the past 2 years. However, on July 1 the National Federation of Agricultural Cooperative Associations (Zen-Noh) raised compound feed prices by about US\$35 per metric ton on a total product-mix average basis. Commercial feedmills immediately followed this move by making similar increases.

Japan's meat production, particularly pork, is expected to continue expanding throughout 1979.

Increases in beef output, though not likely to be significant, will come primarily from culling of young dairy cows because of the milk surplus problem.

Based on a significant rise (6.9 percent) in brood sow numbers as of February 1, the Ministry of Agriculture, Forestry, and Fisheries now predicts Japan's hog slaughter to jump 7 to 9 percent in 1979 over the year-earlier level.

During the first half of calendar 1979, Japan imported 58,102 tons of beef and 63,349 tons of pork, registering increases of 20.5 percent and 26.3 percent, respectively, from the same 6 months of 1978.

Japan's beef imports from the United States during January-June 1979 more than doubled to 11,347 tons as the U.S. market share rose from 10.4 percent in the 1978 period to 19.5 percent this year. Australia held the No. 1 spot, as imports from Australia gained 18.6 percent to 43,937 tons. However, the Australian market share slipped slightly from 76.8 percent in the 1978 period to 75.6 percent during January-June 1979.

On the pork side, imports from the United States jumped 48.4 percent to 18,296 tons during January-June as the United States moved into the top spot with a market share of 28.9 percent, up from 24.6 percent in the 1978 period.

Pork imports from Denmark expanded 101 percent to 18,248 tons as the Danish share increased from 18.1 percent to 28.8 percent this year. Imports from Canada fell slightly from 15,761 tons during January-June 1978 to 15,250 tons this year as the Canadian share tumbled from 31.4 percent to 24.1 percent.

The rise in beef imports reflects a continuing growth in consumer demand, which is outpacing gains in domestic production. Increased pork imports apparently stem in part from the shift toward "all-pork" processed meat items for which well-trimmed supplies from abroad give an advantage to domestic users.

Japanese imports of beef internal organs and other variety meats, including diaphragms and tongues (fresh and frozen), rose only slight-

ly during the first half of the year. They climbed to 31,651 tons, including 18,569 tons from the United States, compared with 30,166 tons and 18,285, respectively, a year earlier. Smaller world availabilities and the Government's regulatory change to count inside skirt meat as a quota item probably account for the smaller growth in these imports.

During January-June, Japan imported 468 head of breeding cattle (mostly bred dairy heifers); 3,567 feeder cattle; and 2,143 other cattle (mostly for slaughter). In the same period a year ago, these imports were 175, 64, and 2,333, respectively. The U.S. share this year was 295 breeding cattle (versus 61 a year ago); no feeder cattle, compared with 36 in the same 1978 period; and 1,688 other cattle (versus 2,203 a year earlier).

A Japanese company has put on-deck pens on carrier ships and is now carrying cattle from the U.S. West Coast to Japan. In addition, a U.S. shipping line is now experimenting with 20-foot containers for on-deck cattle shipments on regular voyages along the same Pacific route.

These operations are expected to maintain the U.S. position as a major slaughter cattle supplier to Japan and to enhance U.S. competitiveness as a feeder cattle supplier in the future.

Japan's imports of tallow during January-June 1979 fell to 75,000 tons, of which 40,789 were from the United States. The import figures for the same 1978 period read 99,041 tons overall, including 50,329 tons from the United States.

Japan's imports of hides and skins during January-June 1979 also declined, falling to 6,034,201 pieces. — *Based on a report by Dudley G. Williams, U.S. Counselor for Agricultural Affairs, Tokyo.* □

Tunisia

Drought Hurts 1979 Crops, Bread Wheat Imports Up

Drought hit segments of Tunisia's agriculture in 1979 and production levels for most crops are lower than a year earlier. Production of wheat—one of the country's most important grain crops—was down slightly, and growing consumption may force Tunisia to make larger imports of bread wheat.

The European Community—and perhaps Turkey—may continue its early 1979 performance by supplying most of Tunisia's imported wheat during the rest of 1979. The United States, on the other hand, is likely to provide most or all of Tunisia's imported corn, wheat flour, oats, and refined vegetable oils.

This is the third consecutive year in which cereal production was held down by inadequate and poorly timed rainfall. Particularly harmful were dry conditions in the spring of 1979.

Grain production varies widely from region to region, with some sections in the north expecting good yields. Those on marginal areas in the central south, where production is always minimal, are expected to have smaller-than-usual output.

Hot, dry winds in early June reportedly cut the production potential by 50,000 tons for an overall cereal production figure of about 900,000 metric tons, which, although about the same as that of 1978/79, is still below the country's average output.

Wheat production in 1979/80 is expected to reach

750,000 tons, of which 570,000 tons are Durum, the rest bread wheat. Barley output is seen reaching 200,000 tons. In 1978/79, bread wheat output was 150,000 tons, Durum 570,000 tons, and barley 180,000 tons.

Commercial grain imports in 1979/80—at 1 million tons—will be considerably greater than in 1978/79. This volume will place a heavy load on Tunisia's grain-handling capacity. Most of the import increase will be in bread wheat.

Barley imports are seen rising to nearly 100,000 tons, considerably above the historical level, although the actual volume will depend on price levels. Barley imports in 1978/79 were about 92,000 tons.

Corn imports for the expanding feed industry are expected to continue upward to 160,000 tons from 120,000 tons in 1978/79, although there are some signs growth in the feed sector is tapering off.

The U.S. share of Tunisian grain imports fell sharply from October 1978 through early June 1979, largely because of price competition by the EC and Turkey. The outlook for 1979/80 is for an enlargement of the U.S. share following what are expected to be very low percentages in 1978/79, although precise figures are not yet available.

Calendar 1978 data indicate that the United States provided 40 percent of Tunisia's imported Durum and 100 percent of its wheat flour, but less than 1 percent

of its bread wheat. The U.S. share of Tunisia's corn imports was 100 percent, 7 percent for barley, and 100 percent for oats.

P.L. 480, Title I, wheat and corn from the United States are in the process of being shipped. Roughly 60,000 tons of Durum wheat and 30,000 tons of corn are programmed for shipment, based on a February 1979 agreement.

Tunisia, by far North Africa's largest producer of olive oil, had its olive production slashed by generally unfavorable weather in 1978/79, and oil output is expected to be at its lowest level in several years. Oil production is preliminarily forecast at about 70,000 tons, compared with 125,000 tons in 1977/78, and 85,000 tons in 1976/77.

After 1977/78's exceptional harvest of about 220,000 tons, citrus production in 1978/79 is expected to have fallen by 20 percent to 180,000 tons, about the average output level of recent years. No breakdown by variety has been published, but about three-fifths of citrus production is usually sweet oranges, while clementines and lemons each account for one-fifth.

Exports of citrus from October 1977-September 1978 were placed at 52,750 tons.

Wine production from the 1978 harvest fell 33 percent from 1977's to 400,000 hectoliters, owing to the dry weather. Most of the wine is exported to France, West Germany, and Switzerland. A program to create zones of "appellation d'origine" is underway, with 6,000 hectares having been surveyed so far.

Sugar consumption is about 150,000 tons annually, of which 90 percent is imported. With consumption expected to double by the year 2000, Tunisia is considering increased irrigation of sugar beets in the prin-

cial growing region of Bou Salem.

Record sugarbeet production of 118,000 tons on 3,600 hectares in 1977 was beyond Tunisia's estimated processing capacity of 90,000 tons of beets per year. Accordingly, farmers were encouraged to cut 1978 production to 85,000 tons from 3,000 hectares. The outlook for 1979 is for 80,000 tons of sugarbeets from 2,635 hectares.

Dark-type smoking tobacco production in 1979 is estimated at 1,828 tons (down 13 percent from 1978's).

Vegetable cultivation, which takes up 80 percent of the irrigated land area, suf-

fered less from the dry spell than other crops.

Projected production in 1979 is up for most vegetables. The first phase of the Bouhertona Dam is expected to add 8,500 additional hectares to the irrigated area devoted to vegetable production.

Canned tomato production declined 13 percent to 280,000 tons in 1978 after producers had experienced excess stocks in 1977. This year's production is forecast at 320,000 tons. This is considered to be the maximum economic level of output, given the competition faced in the export market.

Area of fruits and vege-

tables produced under plastic increased from 11 hectares in 1976 to 56 hectares in 1977 and 105 hectares in 1978. This year is expected to see a continuation of the trend.

In 1978, approximately 43 hectares were planted to tomatoes, 41 to peppers, 11 to melons and canteloupes, and the balance to other vegetables.

Tunisia's poultry industry continues to expand, especially because of heavy Government investment in modern poultry operations. There are now 102 farms with at least 10,000 layers each, but no 1978 egg and poultry meat production

figures are available.

In 1977, egg production was put at 490 million pieces, and poultry meat production at 24,800 tons.

The latest meat production figures show output of 40,600 tons of beef and 34,700 tons of lamb and mutton in 1977. More recent live weight statistics are available, and show total bovine and sheep live weight slaughter in 1977 at 150,000 tons; in 1978 at 149,000 tons; and in 1979 at 153,000 tons.

All of the increase between 1978 and 1979 is expected to come from cattle.—Based on report by Frank J. Piason, U.S. Agricultural Attaché, Rabat. □

Philippines

Soybean Facility In Luzon

The Philippine Board of Investments (BOI) has approved a project of Phil-Asia Food Industries Corporation, a local food manufacturing company, to set up a \$57.8 million joint venture with a U.S. company, to produce soybean products at a crushing facility to be built in Tabangao (Luzon Island), for the domestic and export markets.

The Ministry of Natural Resources reportedly will institute a national soybean production program and an agricultural investment priorities plan similar to the Masagna 99 rice-production program.

Phil-Asia intends to produce annually 167,440 tons of soybean meal, 65,520 tons of soya oil, 116,480 tons of soybean flour, and 10,920 tons of texturized vegetable protein from soybeans. The company's capital is reportedly 40 percent from Philippine investors, 30 per-

cent from ADM, and 30 percent reserved.

Phil-Asia initially will import its soybean requirements because domestic production currently is only 8,000 tons, harvested from about 10,000 hectares. The project is expected to encourage production of at least 50 percent of the country's soybean requirements within 5 years from the start of the operation, and an additional 10 percent each year thereafter until 100 percent of the country's soybean requirements are produced locally.

Phil-Asia expects to start to expand soybean cultivation next year and begin to produce soybean products by 1983. The current plan is to subcontract the cultivation of soybeans to small farmers on plots ranging from 7-10 hectares. Thus, it appears that there may be a market for as much as 120,000 tons of soybeans until

production rises.

The U.S. company will supply technical and production assistance. The project is initially expected to produce the feed needs for the Philippines. It is also expected to produce significant amounts of textured vegetable protein, which will be used to strengthen

and extend the protein levels for human consumption. However, Phil-Asia is also looking to the future potential of the Southeast Asian—market as an outlet for soybean meal as well as for protein.—Based on report from John E. Riesz, U.S. Agricultural Attaché, Manila. □

Caribbean

Demand Up for U.S. Soft Wheat

Demand for U.S. soft wheat—used chiefly in production of biscuits and cookies—is expanding substantially in the Central American-Caribbean area, particularly in Barbados, Trinidad, and Costa Rica.

A recently completed flour mill in Barbados has requested an 18,400-bushel sample of U.S. Western White Wheat, according to Hugh Bright, biscuit-cookie expert for Great Plains Wheat, Inc.

Biscuit and cookie consumption in Barbados—expanding by 7 percent

annually—accounts for about 35 percent of the island's annual wheat imports of about 184,000 bushels.

Consumption of U.S. soft wheat by Costa Rica's baking industry is growing by 20 percent annually.

Great Plains Wheat is a foreign-market development organization supported by wheat producers through their respective wheat commissions in Colorado, Kansas, Minnesota, Nebraska, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming. □

Soviet Union

Cotton Exports to Bloc Growing Despite Hard Currency Needs

The Soviet Union, one of the world's three top producers of cotton—it regularly vies for position with the United States and the People's Republic of China¹—regards its cotton exports to non-Soviet-Bloc countries as a major source of hard currency, but at the same time, its exports of this fiber to nonconvertible-currency countries in some years are about twice as large.

In 1978, the USSR shipped 275,466 metric tons to non-Soviet-Bloc countries and 544,707 tons to nonaligned and Bloc countries. An additional 37,646 tons were shipped to unspecified im-

porters. The year before, the totals were: 348,297 tons to non-Soviet-Bloc countries, 587,191 tons to nonaligned and Bloc countries, and 36,970 tons to unspecified destinations. (All export data are from the Soviet foreign trade publication *Vneshnaya Torovlya*, 1978.)

In 1978, Soviet cotton exports to the five most important non-Soviet-Bloc customers, compared with those of 1977 (in parentheses), were: France, 96,136, (98,991); Japan, 85,699 (110,757); West Germany, 24,140 (32,619); the United Kingdom, 19,585 (22,875); and Indonesia, 9,890 (4,900).

Shipments to the Soviet-Bloc and nonaligned countries, for the same 2

years, also in tons, were: Poland, 126,572 (136,069); the German Democratic Republic, 80,552 (92,429); Yugoslavia, 66,755 (68,356); Czechoslovakia, 66,597 (66,527); and Hungary, 49,619 (48,641).

Shipments to each of the five non-Bloc countries declined between 1976 and 1978, while exports to the nonaligned and Bloc countries are growing.

Cotton consumption in the Bloc countries is climbing, hence the need for larger quantities from the Soviet Union under bilateral trade agreements with the USSR. A slight decline in 1978/79 cotton production also cut the quantity for export to non-Bloc countries.

While some value figures are available on Soviet cotton exports, a caveat should be given in regard to trade between the Soviet Union and other countries in the Council for Economic Mutual Assistance, (CEMA).

CEMA trade in any given commodity may be distorted by the vagaries of the CEMA

pricing mechanism. Prices are supposedly based on a 5-year average of "world prices" for a given commodity for the 5-year period preceding.

In addition, in dealing with trade for a particular element within a major commodity classification, a further complication can arise from the use of the phrase "hard goods" or "soft goods," which have different criteria for determining value. For these reasons, only the volume of cotton traded is given here.

The 1979/80 lint cotton outturn is expected to exceed the 2.8 million-ton record of 1977/78. About 15 percent of the 1979/80 crop had to be replanted, but this took place earlier in the season and the crop made excellent progress under hot August weather. Part of the crop is still 1-2 weeks behind normal development but the threat of early frost is practically over.—Based on a report by Harlan J. Dirks, U.S. Agricultural Counselor, Moscow. □

Korea

Seeks Hog, Pork Export Markets

Korea is seeking new and expanded export markets for hogs and pork in a drive to reduce supplies and stabilize prices of live animals and meat, according to Gerald W. Shelden, U.S. Agricultural Attaché in Seoul.

Korean swine production, stimulated by continued strong demand for pork over the past several years, has resulted in a drastic decline in prices.

Domestic hogs weighing 90 kilograms (live weight)

sold in September for the equivalent of about \$114, compared with \$158 in July, \$177 in February, and \$232 a year earlier—when Korea was importing pork to supplement production.

To stabilize prices and protect domestic producers, Korea's Livestock Industry Development Corporation (LIDECOR) has been authorized to purchase up to 156,000 head of swine—84,000 for reserves to be released at some future date and 72,000 head for export.

LIDECOR began buying swine in mid-June, and by September had purchased 25,000 head at prices ranging from \$1.47 to \$1.89 per kilogram (live weight). The agency recently exported 114 tons of pork to Japan and is negotiating with Japan and other countries for additional export shipments.

Meanwhile, the Ministry of Agriculture and Fisheries (MAF) is urging swine producers to reduce numbers of breeding sows so that the September total of 724,000 animals can be lowered to about 475,000 by yearend.

To increase consumption, MAF in August lowered the Government-controlled retail price for pork from the equivalent of about \$2.52 to \$2.10 per 600 grams, and in-

structed Seoul meat retailers to remove excess fat from all pork sold.

The pork surpluses are cutting into U.S. exports of pork to Korea. From mid-1978 to early 1979, 10,000 tons of U.S. pork were exported to Korea, but in recent months shipments have been nil.

Consumer demand for poultry improved during the summer, and caused LIDECOR to stop purchasing poultry meat for its reserves and to release 156 tons from stocks purchased earlier this year.

The Korean livestock industry as a whole is depressed, mainly because of lower returns resulting from higher input costs following recent petroleum price boosts. □

New USDA Credit Plan Established for Export Of Breeding Animals

A new USDA credit program to develop or maintain foreign markets for U.S. breeding animals on a long-term basis was recently announced by Kelly M. Harrison, USDA's General Sales Manager . . . under the new program, export sales of U.S. breeding animals—including transportation costs to destinations—by the Commodity Credit Corporation for periods of 3 to 10 years . . . interest rates will be equal, as nearly as practical, to the rates charged by CCC under the short-term Export Credit Sales Program (GSM 5) . . . the new program is known as GSM 201—the CCC's Intermediate Credit Sales Program for Breeding Animals.

World Bank's Aid To Developing Countries Tops \$10 Billion in '79

During fiscal 1979, loan and investment commitments of \$10.4 billion were made to developing countries by the World Bank and its two affiliates—the International Development Association (IDA) and the International Finance Corporation (IFC) . . . the World Bank's lending for the year totaled nearly \$7 billion, a new high and \$891 million more than in the previous year . . . the Bank and IDA lending for projects in the agriculture and rural development sector accounted for 25 percent of the total . . . also during the year, the Solomon Islands and Cape Verde joined the Bank, bringing the institution's membership to 134 countries . . . principal borrowers from the IDA were India (\$1.2 billion), Bangladesh (\$271 million), Pakistan (\$164 million) and Egypt (\$135 million).

ASEAN Members Set Emergency Rice Reserve

Members of the Association of Southeast Asian Nations (ASEAN) recently agreed to create a food security reserve to include 50,000 tons of rice . . . country contributions to the emergency rice reserve were set as follows: Indonesia, 12,000 tons; Malaysia, 6,000; the Philippines, 12,000; Singapore, 5,000; and Thailand, 15,000 . . . rice stocks will be kept in individual countries and will be released to the member country in need within 3 days of the call for assistance.

China Interested In Upgrading Cattle Breeding

China has imported relatively few cattle, but there have been signs of a change in this policy . . . within the past year Chinese officials have expressed the intention of developing a grass-fed cattle industry which would involve upgrading the breeding standards and expanding the cattle herd . . . because the United States is not considered free of blue tongue disease, strict enforcement of China's recently announced veterinary regulations would appear to present an effective barrier to imports of U.S. livestock, but the United States can still expect to be competitive in the frozen semen purchases.

Taiwan's 'Buy American' Mission Rings Up Sales

A "Buy American" mission from Taiwan recently returned home after visiting 20 U.S. States . . . during its 58-day tour, the mission purchased US\$945.9 million worth of U.S. goods, including US\$345.8 million of agricultural products . . . these included 288,000 tons of wheat; 26,000 tons of barley; 349,500 tons of soybeans; 740,000 tons of corn; and 5,144 tons of leaf tobacco . . . the United States is the No. 1 trading partner of Taiwan, with two-way trade exceeding US\$7.3 billion in 1978, and totaling US\$4.0 billion in the first half of calendar 1979.

Ivory Coast To Up Imports in 1979/80

Ivory Coast's price support policy has failed to spur domestic rice output . . . in fact, production has stagnated, and rice collection for the commercial market remains at low levels . . . rice imports are filling the gap and should reach 200,000 tons in 1979/80, with at least half of these coming from the United States; in 1978/79, Ivory Coast's rice imports totaled 180,000 tons, including 90,000 tons from the United States.

U.S.-Egyptian Company Eyes 'Green' Desert

A joint U.S.-Egyptian agribusiness investment agreement recently signed to establish the Egypt Farms Company to reclaim and develop (4,200 hectares in the Salhiya and Tel El Kebir desert . . . later the operation will be expanded to 30,000 acres (12,146 hectares). . . investment cost is reported at \$40 million—60 percent Egyptian and 40 percent American . . . initial plans call for four irrigation systems . . . vegetables will be the first commodities grown for the market.

Iraq's Wheat Imports From Australia To Cut Into U.S. Market Share

A near doubling of Iraq's wheat imports from Australia (to an estimated 650,000 tons) in 1979 will cause U.S. wheat shipments to Iraq to decline sharply from a peak of 689,000 tons in 1978 . . . Iraq's total wheat needs this year are forecast at around 1.6 million tons, slightly higher than last year's and far above the 90,000 tons imported in 1970 . . . last year, the U.S. market share was 46 percent . . . in the first 9 years of this decade, Australia has been the top supplier five times; the United States three times.

Canadian Wheat Sales To China Short Of Pact Rate

The Canadian Wheat Board recently announced the sale of 2 million tons of wheat to China, presumably for delivery during September 1979-August 1980 . . . the quantity announced falls short of the annual range of 2.8-3.5 million tons implied in the 3-year wheat agreement between the two countries . . . the agreement calls for total sales of 8.4-10.5 million tons of Canadian wheat to China between August 1979 and July 1982.

Romania Imports 303 Head of U.S. Swine

Romania recently imported 303 head of U.S. swine with the shipment consisting mostly of Hampshire and Duroc breeds . . . generally, the Ministry of Agriculture finds U.S. swine very acceptable, and believed to be of the right genetics—when crossed with Romanian Large White and Landrace—for producing a meat-type hog.

WORLD AGRICULTURAL DAYBOOK

November

Trade/Technical Team Visits

U.S. Teams Overseas

Date	Team	To
Oct. 18- Nov. 3	Western Wheat bakery team	China, Japan
Oct. 21- Nov. 20	Dry peas and lentils team	U.K., Norway, Sweden, Finland, Italy, Greece, Egypt, Algeria
Oct. 22- Nov. 22	Western Wheat board	Japan, Philippines, Singapore, Indonesia, Hong Kong, China (Taiwan), Korea
6-10	American Seed Trade Association	Mexico
6-20	Hog production seminar	USSR
7-16	FAS-sponsored sales team	Guadeloupe, Antigua, Bahamas

Foreign Teams in the U.S.

Date	Team	To
Oct. 20- Nov. 3	Italian livestock	Virginia, Wisconsin, California, Texas, Washington, D.C.
Oct. 20- Nov. 5	Korean Industrial corn (Feed Grains Council)	Washington, Kansas, Illinois, Indiana, Ohio, Washington, D.C.
Oct. 21- Nov. 3	U.K. distillers (Feed Grains Council)	Ohio, Illinois, Missouri, Louisiana, Washington, D.C.
Oct. 21- Nov. 3	French oilmeal (American Soybean Association)	Arkansas, Louisiana, New York
Oct. 30- Nov. 14	Soviet fruit and vegetable	Florida, Maine, New York, Pennsylvania, Michigan, Washington, D.C.
6-17	Malaysian veterinary services	Texas, Louisiana, Florida

General

Date	Activity and Location
2-21	Secretary Bergland to Europe and Middle East

Trade Fairs and Exhibits

Date	Event and location
Oct. 31- Nov. 11	Interfer '79 (international trade fair), Guatemala City.
11-15	Food and Dairy Expo '79, Chicago, Ill.
26-29	Grain handling, storage, testing; Moscow.
26-29	Expo Kenya '79, Nairobi

Meetings

Date	Organization and location
Early Nov.	U.S.-Japan periodic consultation on agricultural products, Tokyo
3-4	International Institute for Cotton, General Assembly, Bogota.
3-6	Farm Seed Conference and Western Seedmen's Association, Kansas City, Mo.
3-6	U.S. Meat Export Federation directors, American Meat Institute, Chicago, Ill.
5-8	U.S. Agricultural Outlook Conference, Washington, D.C.
5-10	International Cotton Advisory Committee, Bogota
6-8	FAO Council, Rome.
10-29	FAO Conference, Rome.
13-15	OECD Preparatory Meeting, Advisory Services, Paris.
13	Agribusiness Export Seminar, Columbus, Ohio.
14	Agribusiness Export Seminar, Springfield, Ill.
19-20	International Sugar Council, London.
26-27	FAO/WHO Executive Committee, Codex Alimentarius Commission, Rome.
26-30	High-level experts on special measures for least developed countries, Geneva.
27-29	Agribusiness Council-American Management Associations conference on higher income developing nations, St. Louis, Mo.
30	FAO Council, Rome.
Late Nov.	Food Aid Committee and International Wheat Council, London.
Late Nov.	U.S.-Brazil Subgroup, Washington, D.C.
To be set	U.S.-EC consultations on EC enlargement, Washington, D.C.



First Class

Forest Products Added to FAS Export Development Program

The U.S. Department of Agriculture and the National Forest Products Association have signed a cooperator agreement establishing a joint program to promote the export of wood products.

Thomas R. Hughes, Administrator of USDA's Foreign Agricultural Service, and Ralph D. Hodges, Jr., Executive Vice President of the NFPA, signed the agreement October 11 at the Association's Washington headquarters. The NFPA joins 46 other nonprofit organizations that have continuing agreements with FAS for the promotion overseas of U.S. farm product sales.

Hughes, commenting on the agreement, said, "We are extremely pleased to have the National Forest Products Association as a market development cooperator. The export of U.S. wood products last year amounted to \$2.6 billion. We think these sales can be enlarged to make a still greater contribution to the U.S. international trade account. We look forward to working with the NFPA and its members to that end.

"This is the first time in the 25-year history of the FAS market development program that wood products have been included on a national industrywide basis. The National Forest Products Association is widely representative of the wood products industry, with 29 federated associations, including more than 2,000 member companies."

The National Forest Products Association, in its announcement of the agreement, said this would be the first national cooperative program between industry and the Government to expand the export of wood products.

"With increased exports a major objective of the United States," the Association said, "the export of wood products is becoming an increasingly important goal of the forest in-

dustry, since U.S. forests are among the most productive in the world.

"The agreement between NFPA and the FAS will assist diverse elements of the wood products industry throughout the country to work more closely with Government to achieve export goals.

"The program is regarded as a first step toward inclusion of wood products in the FAS's extensive and successful program for the export of general agricultural products. Under the agreement, NFPA will coordinate the efforts of its federated member associations in working with FAS to expand foreign markets for U.S. wood products."

The agreement covers solid products, both hardwood and softwood. It does not include pulp and paper products, which accounted for another \$2.6 billion in U.S. exports in 1978, bringing the total for forestry products above \$5 billion.

Major wood product exports in 1978 were softwood logs, \$1.1 billion; softwood lumber, \$450 million; and hardwood lumber, \$148 million. The top eight export customers in 1978 were Japan, with \$1.2 billion in purchases; Canada, with \$243 million; West Germany, \$141 million; Italy, \$69 million; Australia, \$37 million; United Kingdom, \$28 million; Mexico, \$27 million; and Saudi Arabia, \$25 million.

The cooperator agreement specifies as its goal the expansion of exports of solid wood products. Markets to receive emphasis include Japan, Canada, Australia, the European Community countries, and the Middle East nations.

In the beginning, NFPA will work with several of its member associations, including the American Plywood Association, the Southern Forest Products Association, the National Lumber Exporters Association, the Appalachian Hardwood Manufacturers Association, and the American Walnut/Fine Hardwoods Association. As work progresses, it is anticipated that other associations will join in the export effort. □